

Valley Metro

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008



Regional Public Transportation Authority
Phoenix, Arizona

Valley Metro

Regional Public Transportation Authority

Phoenix, Arizona

Board of Directors

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Vice Chair, Councilman Wayne Ecton, Scottsdale
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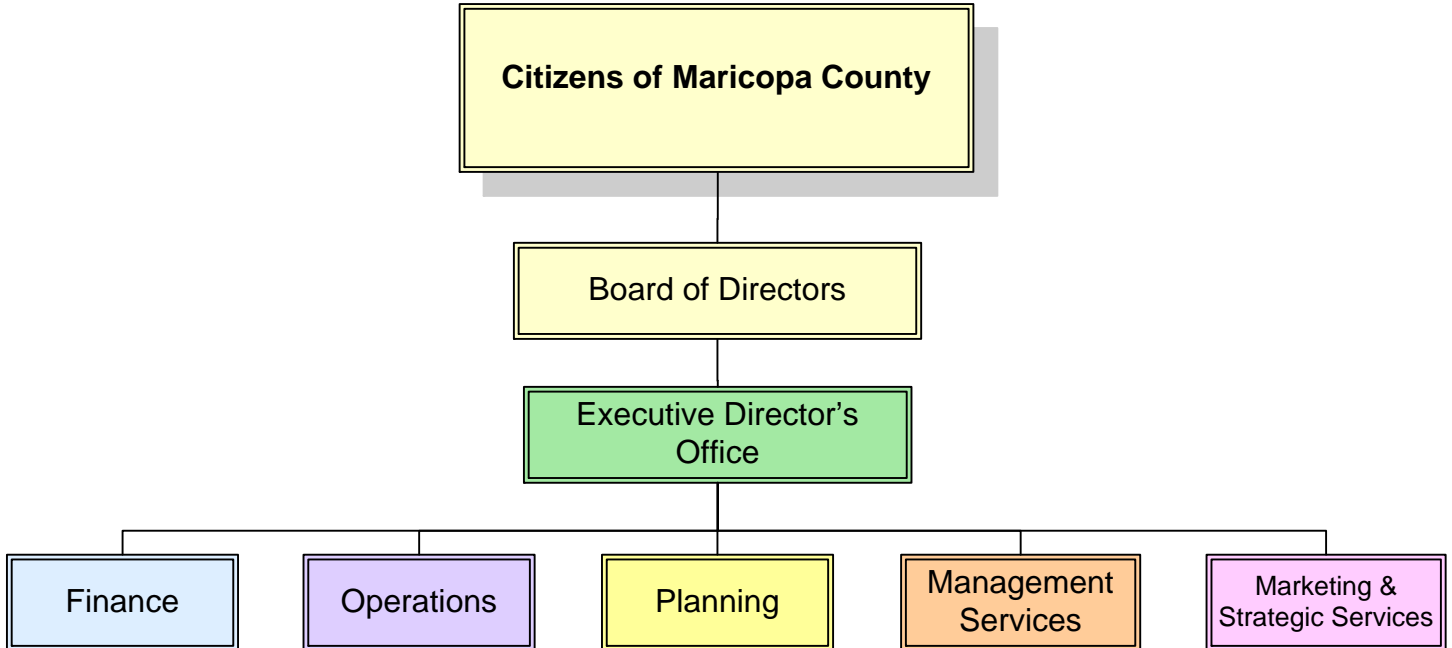
Executive Director's Office

David A. Boggs, Executive Director
Bryan Jungwirth, Deputy Executive Director, Communications & Government Relations
Mike Taylor, Acting Deputy Executive Director, Finance
Pat Dillon, Executive Assistant
Carol Lightbourne, Executive Assistant

Prepared By

Finance Department

Valley Metro
Regional Public Transportation Authority
Organization Chart



Valley Metro Rail, Inc. Staff
(Reports to VMR, Inc. Board of Directors)

Regional Public Transportation Authority

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Introductory Section

The Introductory Section includes the Authority's transmittal letter and the Certificate of Achievement for Excellence in Financial Reporting.

December 11, 2008

To Chair and Members of the Valley Metro RPTA Board of Directors:

The comprehensive annual financial report of the Valley Metro Regional Public Transportation Authority (the Authority) for the fiscal year ended June 30, 2008 is hereby submitted as mandated by state statute. The statute requires that the Authority annually issue a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the Authority on both a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the Authority's activities have been included.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Authority are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The Authority's internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The independent certified public accounting firm of Cronstrom, Osuch & Company, P.C., whose report is included herein, has audited the basic financial statements and related notes. As stated in the independent auditor's report, the goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Authority for the fiscal year ended June 30, 2008 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the basic financial statements of the Authority as of and for the fiscal year ended June 30, 2008 are fairly

presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Additionally, the Authority is required to have an independent audit of expenditures of federal awards received (Single Audit) by the Authority directly from federal agencies, or passed through to the Authority by other governmental entities during the fiscal year. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the Authority's internal controls and compliance with legal requirements having a direct and material impact on major programs, with special emphasis on internal controls and compliance requirements involving the administration of major federal awards.

As a subrecipient of federal and state financial assistance, the Authority is responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and by the Authority's independent auditor. As part of the Authority's Single Audit, tests were made of the internal control structure and of its compliance with applicable laws and regulations, including those related to federal awards. Although this testing was not sufficient to support an opinion on the Authority's internal control system or its compliance with laws and regulations, the audit of the Authority's compliance with requirements applicable to each major program and internal control over compliance for the year ended June 30, 2008 resulted in an unqualified opinion of compliance and noted no material weaknesses in internal controls or significant violations of applicable laws and regulations with respect to major programs. The auditors' reports on internal controls and compliance with applicable laws and regulations are included in the single audit section of this report.

PROFILE OF THE AUTHORITY

The Authority was established in 1985 along with the passage of a one-half of one percent sales tax increase to fund regional highway and public transportation improvements in Maricopa County, Arizona (the County). The Authority was created to develop a regional transit plan and to develop and operate a regional transit system in the County. The financial reporting entity of the Authority includes all its funds and does not include any component units (i.e., legally separate entities for which the Authority is financially accountable).

The Authority is governed by a fourteen-member Board of Directors consisting of a member of the County Board of Supervisors and the mayors (or their designees) of the cities of Avondale, Chandler, El Mirage, Glendale, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, Surprise and Tempe, and the Towns of Gilbert and Queen Creek. Any municipality in the County may join the Authority and have one elected official serve on the Board of Directors by committing a portion of its local transportation assistance funds to local public transportation. An Executive Director, appointed by the Authority's Board of Directors, is responsible to carry out policy, plan, manage, supervise and coordinate all day-to-day activities. The Authority procures regional bus, dial-a-ride and vanpool services, provides regional transit and capital planning support, coordinates the County's transportation demand management activities, and provides general operational and administrative support to its members.

The annual budget serves as a foundation for the Authority's financial planning and control. Activities of the general fund, special revenue funds, and enterprise funds are included in the annual appropriated budget. The level of budgetary control, i.e., the level at which expenditures cannot legally exceed appropriations, is the total annual appropriated budget. Costs in excess of the total annual appropriated budget require approval of the Board of Directors. Transfers of appropriations between departments require the approval of the Executive Director. The Authority maintains budgetary control by conducting quarterly evaluations of expenditures against appropriations and through close monitoring of revenues. Encumbrance accounting is not utilized and all open purchase orders lapse at year-end. As demonstrated by the statements included in the financial section of this report, the Authority continues to meet its responsibility for sound financial management.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

The Authority serves Maricopa County, which is located in central Arizona. According to the Arizona Department of Commerce, Maricopa County measures 9,222 square miles, 98 square miles of which is water. Twenty-nine percent of this area is owned individually or by corporations, and the U.S. Bureau of Land Management owns 28 percent. The U.S. Forest Services and the State of Arizona each control 11 percent of the county; an additional 16 percent is owned publicly. Almost 5 percent is Indian reservation land. Parts of western Maricopa County have 11 designated Enterprise Zones as well as central and southern areas in the City of Phoenix. The metropolitan area is home to the state capitol and includes the City of Phoenix, population 1.5 million, making it Arizona's major center of political and economic activity. In fact, more than half of the state's population resides in Maricopa County, which is home to 15 institutions of higher learning, including Arizona State University; various cultural attractions; professional baseball (Arizona Diamondbacks), basketball (Phoenix Suns and Phoenix Mercury), football (Arizona Cardinals) and hockey (Phoenix Coyotes); and Sky Harbor International Airport, the fifth busiest airport in the world with over 1,300 daily flights.

The County has grown from just over 2.1 million residents in 1990 to over 3.9 million residents in 2007, an increase of 86 percent in just 17 years. According to the Greater Phoenix Economic Council, population is projected to grow 70 percent by 2030, reaching 6.3 million people.

Maricopa County currently accounts for about 60 percent of the State's population and attracts a continual inflow of immigrants seeking new opportunities. The total labor force in Maricopa County grew to almost 1.95 million people in 2007, an increase of over 70 percent since 1990. According to the Greater Phoenix Economic Council, Maricopa County has maintained substantial employment growth over the past decade. Projections show employment will increase 85.4 percent, reaching 3.4 million jobs by 2030.

Although the economy has slowed this past year, population in Maricopa County has continued to increase and continues to challenge the Authority and the County it serves. Increases in population and fuel prices have led to increased demands for quality public transportation and improved air quality. With the burgeoning increase in population come concerns about how to manage issues of congestion on the Valley's roadways. As our region grows, it is important that we maintain a safe transportation system that moves people and goods efficiently, and that attracts high quality workers and businesses to the area. On the positive side, light rail transit is on the horizon with a planned grand opening in December 2008. And thanks to a November 2004 voter approved transportation tax initiative (Proposition 400), beginning in January 2006 a revenue stream of over \$100 million annually injects much needed resources into the region's transit network, allowing for the expansion and improvement of the entire system.

Major Initiatives

On November 2, 2004, the voters of Maricopa County approved Proposition 400, the continuation of the transportation tax, for a 20-year period, beginning in calendar year 2006. The approximate total vote in favor was 57.5 percent. This was a major milestone in transportation funding and service in the region. The Proposition had unanimous support from the Mayors of all of the cities in the region and the Maricopa County Board of Supervisors, the Maricopa Association of Governments Regional Council, the Authority's Board of Directors, and the Arizona Department of Transportation. It also had the support of nearly every major business and community agency in the region.

To implement the projects approved with the passage of Proposition 400, staff worked with member agencies and other stakeholders to develop the Transit Life Cycle Program (TLCP). This project included the development of three major program elements: guiding principles, financial model, and policies and procedures. The guiding principles and the 20-year financial model were adopted by the Board in June 2005. The policies for the TLCP were adopted by the Board in October 2005. The six adopted guiding principles of the TLCP in priority order are as follows:

1. A defined and consistent process will be established to implement the voter approved Plan (Proposition 400 maps and capital improvements).
2. A defined and consistent process for Plan amendments and changes will be established.
3. Funding allocations will be regularly monitored and managed.
4. A defined and consistent process will be established to ensure legislated compliance audit, reporting and performance requirements are met.
5. Budgeting and accounting systems will be established to manage Public Transportation Funds (PTF) and monitor and report results.
6. Jurisdictional equity will be monitored annually over 20 years.

Numerous meetings of the TLCP executive steering committee, TLCP stakeholders committee, and TLCP technical working groups were held over a nine-month period in order to complete this project, which was one of the most successful cooperative transit projects this region has ever undertaken.

Long-term Financial Planning

With the passage of Proposition 400, a new era began for the Authority. We have been given Board authorization to proceed on some very important studies that will revolutionize the way we do business. In order to achieve this, it is important to put the plans in place to create an agency that effectively and efficiently serves our member agencies and their residents for the next 20 years.

The Authority will undertake a number of key projects during FY 2009 as the agency prepares for the implementation of TLCP operating and capital projects. The major projects and studies for FY 2009 include the following:

- Travel Needs Survey
Develop, implement, and provide analysis for comprehensive transit research surveys and studies. Information from the surveys will be used to produce a database for transit planning purposes, including route evaluation and service adjustments. This includes

telephone surveys on trip needs that people may have and other information needed for transit planning.

- Financial Management System

The current financial system was purchased in 1998 and is well-suited for an agency with a small budget. With the increased demands of Proposition 400 comes a greater need for accountability. A new system will improve budgeting (which is currently performed outside the financial system), and encumbrance accounting and will better link the procurement and human resources functions, both of which are currently not well integrated in the financial system. The new system will benefit both RPTA and Valley Metro Rail.

- Site Selection/Environmental Assessment

Site Selection and Environmental Assessment for multiple regional park and ride locations to allow for accelerated purchase and site preservation of future lot development in accordance with the Regional Transportation Plan (RTP). Also planned are Site Selection and Environmental Assessments for multiple transit center locations to allow for accelerated purchase and site preservation of future facility development in accordance with the RTP.

- Regional ADA Paratransit Service

The Authority will take the first steps toward regionalization of ADA Paratransit Service. These first steps will be based on the results of the paratransit study conducted in FY 2007/08 and recommendations of the Valley Metro Operations & Capital Committee (VMOCC) Technical Advisory Committee (TAC) and Board of Directors approval.

- Transit System Identity Program

Implementation and launch of key elements of a transit system identity program to include a new logo and new color design. The objective of this program is to refresh and develop a strong Valley Metro brand identity and consistent application of standards. Our visual identity, including the Valley Metro logo, its colors, typefaces and positioning, is a powerful communications tool that identifies us to our customers, prospective customers, investors, business partners, vendors and employees.

- Bus Rapid Transit – Arizona Avenue (Design Concept Report)

Identify and quantify infrastructure investments within the Arizona Avenue BRT corridor (vehicle types, intersection and signalization improvements, and station design attributes) and refine the operational characteristics of the line, interaction with other existing/future services, service frequencies and hours of operation, station locations, and layover points.

- Scottsdale/Rural Road Alternatives Analysis

In partnership with Valley METRO Rail, develop an alternatives analysis for Scottsdale/Rural Road that will define a locally preferred high capacity transit alternative for this corridor.

As we continue to evolve as an agency, we continue to break existing record numbers for ridership. In FY 2008, fixed route ridership reached an all-time high of 59,843,059 for the region, surpassing FY 2007 ridership of 58,020,189.

The vanpool program has experienced larger than average growth due to a rise in the cost of gasoline and increased awareness resulting from an advertising and incentive program this year. At the end of June 2007, there were 308 operating vanpools in the Valley Metro Vanpool Program,

and at the end of June 2008 the fleet had increased to 345 operating vanpools, an increase of over 12 percent.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the eleventh consecutive year the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Authority's finance staff. As always, we are appreciative of the support provided by the Board of Directors.

Respectfully submitted,



David A. Boggs
Executive Director



Michael Taylor
Acting Deputy Executive Director, Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Regional Public Transportation
Authority, Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section

The Financial Section includes the independent auditors' report, Management's Discussion and Analysis (MD&A), the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other Required Supplementary Information (RSI) and other financial schedules.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Metro Regional Public Transportation Authority
Phoenix, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Valley Metro Regional Public Transportation Authority (Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial reports contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

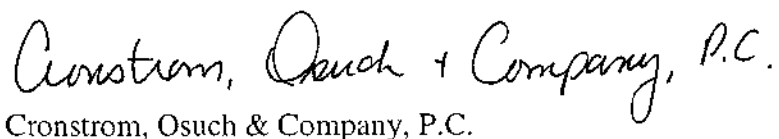
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Valley Metro Regional Public Transportation Authority, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Public Transportation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A prior period adjustment was recorded and is presented in Note 16 in the notes to the basic financial statements to restate the previously issued financial statements for compensated absences that were recorded in the fund financial statements in error.

The management's discussion and analysis on pages 3-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards as listed in the table of contents is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. This supplementary information is the responsibility of management. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Cronstrom, Osuch & Company, P.C.

December 11, 2008

As management of Valley Metro Regional Public Transportation Authority (the Authority), we offer this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2008. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Authority's financial activity, (3) identify changes in the Authority's financial positions, (4) identify any material deviations from the financial plan (adopted annual budget), and (5) identify individual fund issues or concerns.

Financial Highlights

- The Authority's total net assets increased \$7,528,886 in FY 2008, a \$14,466,044 decrease in governmental activities and a \$21,994,930 increase in business-type activities. Total net assets of the Authority are \$122.4 million, of which \$46.1 million is unrestricted.
- The governmental activities revenues decreased by approximately \$3.4 million (2.5%) over the previous year.
- The business-type activities revenues decreased by approximately \$2.7 million (5.2%) from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

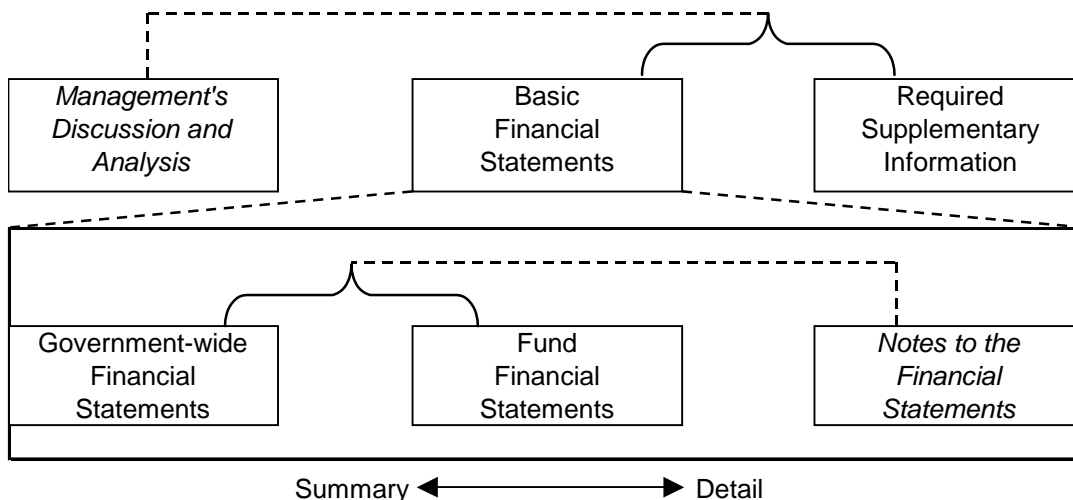
The financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). The statements are presented as follows:

- Government-wide reporting – presents financial statements on a government-wide basis.
- Fund financial statements - presents governmental, proprietary and fiduciary fund financial statements, with the focus on major funds within each fund type.
- Measurement focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resources measurement focus and accrual basis of accounting. The current financial resources focus and modified accrual basis of accounting are followed for the governmental fund financial statements.
- Budgetary reporting – GASB No. 34 requires the display of both the original adopted budget and the revised budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds; however, the Authority has elected to present this information for the nonmajor special revenue funds and proprietary funds as additional information.
- Required narrative analysis – GASB No. 34 requires that the financial statements be accompanied by narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

As presented on the following page, the financial section of the Comprehensive Annual Financial Report (CAFR) for the Authority consists of this discussion and analysis, the basic financial statements and required supplementary information (other than MD&A). There are also additional non-required supplementary schedules presented after the basic financial statements. The basic

financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the general fund and major special revenue funds, and notes to the financial statements.

Required Components of the Annual Financial Report



Government-wide Financial Statements

The government-wide financial statements (see pages 12 – 14) are designed to provide a broad overview of the Authority's finances in a manner similar to those used by private businesses. All of the activities of the Authority, except those of a fiduciary nature, are included in these statements.

The activities of the Authority are broken down into two columns on these statements – governmental activities and business-type activities. A total column for the Authority is also provided.

- The *governmental activities* include the basic services of the Authority including general government (administration), regional planning, transportation demand management, and regional customer services. Grants and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities which are transit service operations and light rail transit. These activities are partially supported by user charges and provide substantial benefits, both direct and indirect, to the public at large.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, both current and long-term, with the difference between the two reported as net assets. The focus on net assets is designed to be similar to the emphasis for businesses. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. To assess the overall health of the Authority, other indicators, including non-financial indicators like the Authority's tax base and the condition of its capital assets, should also be considered.

The *statement of activities* presents information showing how the Authority's net assets changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide

financial statements, all changes to net assets are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the Authority, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenues for support.

Fund Financial Statements

Also presented are more traditional fund financial statements for governmental funds, proprietary funds and fiduciary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the Authority.

Governmental funds - Governmental funds are used to account for most of the Authority's basic services. Unlike the governmental activities column on the government-wide financial statement, these fund financial statements (pages 15 - 19) focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in looking at the Authority's near-term financial requirements. Since the governmental activities on the statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer term focus, a reconciliation of the differences between the two statements is provided following the fund financial statements and is also provided in Note 2 (pages 34 - 36).

Proprietary funds – Proprietary funds are used to account for business-type activities of the Authority. Enterprise funds are used for activities that primarily serve customers outside the governmental unit. The proprietary fund financial statements (pages 20 - 22) are prepared using the same long-term focus as the government-wide financial statements. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detail and additional information (i.e., cash flows).

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support programs of the Authority. The fiduciary fund statement (page 23) is prepared on the same basis as the government-wide and proprietary fund statements.

Notes to the Financial Statements – The notes to the financial statements (pages 25 – 45) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements of the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The Authority has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The Authority has disclosed this information in Note 10 (pages 42-43).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables and analysis discuss the financial position and changes to the financial position for the Authority as a whole as of and for the year ended June 30, 2008, with comparative information for the previous year.

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets as of June 30, 2008 compared to the prior year:

Condensed Statement of Net Assets
As of June 30
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 30,279.5	\$ 44,913.2	\$ 45,374.2	\$ 57,936.4	\$ 75,653.7	\$ 102,849.6	-26.4%
Capital assets	1,467.0	1,362.4	72,537.5	47,945.8	74,004.5	49,308.2	50.1%
Total assets	\$ 31,746.5	\$ 46,275.6	\$ 117,911.7	\$ 105,882.2	\$ 149,658.2	\$ 152,157.8	-1.6%
Current liabilities	\$ 2,022.9	\$ 2,126.7	\$ 24,734.1	\$ 34,779.2	\$ 26,757.0	\$ 36,905.9	-27.5%
Long-term liabilities	149.8	109.1	316.0	236.3	465.8	345.4	34.9%
Total liabilities	\$ 2,172.7	\$ 2,235.8	\$ 25,050.1	\$ 35,015.5	\$ 27,222.8	\$ 37,251.3	-26.9%
Net assets:							
Invested in capital assets, net of related debt	\$ 1,467.0	\$ 1,362.4	\$ 72,537.5	\$ 47,945.8	\$ 74,004.5	\$ 49,308.2	50.1%
Restricted	-	-	2,332.5	1,778.9	2,332.5	1,778.9	31.1%
Unrestricted	28,106.8	42,677.4	17,991.6	21,142.0	46,098.4	63,819.4	-27.8%
Total net assets	\$ 29,573.8	\$ 44,039.8	\$ 92,861.6	\$ 70,866.7	\$ 122,435.4	\$ 114,906.5	6.6%

The Authority's total net assets increased \$7,528,886 in FY 2008, a \$14,466,044 decrease in governmental activities and a \$21,994,930 increase in business-type activities. Total net assets of the Authority are \$122.4 million, of which \$46.1 million is unrestricted.

A large portion of net assets (60.4%) represents the Authority's investment in capital assets net of accumulated depreciation and related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to the region's citizens; consequently, it is not the Authority's intention to sell these assets and they are therefore not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

An additional portion of the Authority's net assets (1.9%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$46.1 million may be used to meet the Authority's ongoing obligations to citizens and creditors.

Valley Metro
Regional Public Transportation Authority
Management's Discussion and Analysis (Continued)

Changes in Net Assets

Total revenues of governmental activities decreased approximately 2.5% over the previous year and governmental expenses increased approximately 4.1%. Revenues of business-type activities decreased approximately 5.2% and expenses of business-type activities increased 31.4% in fiscal year 2008.

The following table compares the revenues and expenses of the Authority for the current and previous fiscal year:

Changes in Net Assets
Fiscal year ended June 30
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Percent Change
	2008	2007	2008	2007	2008	2007	
REVENUES							
Program revenues:							
Charges for services	\$ -	\$ 25.0	\$ 29,170.6	\$ 28,538.7	\$ 29,170.6	\$ 28,563.7	2.1%
Operating grants and contributions	2,062.6	2,494.6	1,421.9	642.3	3,484.5	3,136.9	11.1%
Capital grants and contributions	-	198.8	16,237.0	19,041.1	16,237.0	19,239.9	-15.6%
General revenues:							
Sales taxes	130,490.8	134,235.3	-	-	130,490.8	134,235.3	-2.8%
Interest earnings	2,503.9	1,664.4	536.1	945.2	3,040.0	2,609.6	16.5%
Other	142.8	-	1,688.2	2,564.3	1,831.0	2,564.3	-28.6%
Total revenues	135,200.1	138,618.1	49,053.8	51,731.6	184,253.9	190,349.7	-3.2%
EXPENSES							
Governmental activities:							
Regional planning	2,390.3	2,425.3	-	-	2,390.3	2,425.3	-1.4%
Transportation demand management	1,785.8	1,699.7	-	-	1,785.8	1,699.7	5.1%
Regional customer services	8,567.3	7,289.8	-	-	8,567.3	7,289.8	17.5%
Administration	1,941.4	2,688.4	-	-	1,941.4	2,688.4	-27.8%
Business-type activities:							
Transit service operations	-	-	96,796.9	60,090.2	96,796.9	60,090.2	61.1%
Light rail transit	-	-	65,243.4	63,225.7	65,243.4	63,225.7	3.2%
Total expenses	14,684.8	14,103.2	162,040.3	123,315.9	176,725.1	137,419.1	28.6%
Excess (deficit) before transfers	120,515.3	124,514.9	(112,986.5)	(71,584.3)	7,528.8	52,930.6	-85.8%
Transfers in (out)	(134,981.4)	(92,948.4)	134,981.4	92,948.4	-	-	0.0%
Increase (decrease) in net assets	\$ (14,466.1)	\$ 31,566.5	\$ 21,994.9	\$ 21,364.1	\$ 7,528.8	\$ 52,930.6	-85.8%

The largest financing source for the Authority as a whole is sales taxes (70.8%), and the major funding source for business-type activities is charges for services (59.5%). Business-type activities also receive substantial federal grants and contributions revenues (36.0%). The major funding sources of governmental activities are sales taxes (96.5%) and federal and state grants (1.5%).

The Authority's sales tax revenue over the prior year is limited to incorporating those elements necessary for implementing the third year of the Proposition 400 Transit Life Cycle Program (TLCP). The Public Transportation Fund (PTF) revenues are restricted to the implementation of the transit element of the Regional Transportation Plan (RTP). The laws pertaining to Regional Area Road Fund (RARF) revenues have changed beginning with FY 2006. Most notably, as a result of changes in the distribution of funds made by House Bill 2292, the amount of money that

the Authority received previously has been divided in two, with one half going to the Maricopa Association of Governments (MAG). Additionally, the allowable use of these funds has changed as well. Previously, RARF was unrestricted as to use. However, RARF revenue is now limited to fund administration in the General Fund and planning and is no longer available to fund transit services.

The largest user of resources for the Authority as a whole is the business-type activities (91.69%). For the governmental activities, the largest users of resources are regional customer services (58.34%), regional planning (16.28%), administration (13.22%), and transportation demand management (12.16%).

Total government-wide expenses of the Authority increased \$39.3 million (28.6%) in fiscal year 2008. Expenses of the governmental activities increased \$0.58 million (4.1%). This includes \$1.3 million (17.5%) increase for regional services due to an increase in customer service personnel and increase in expenses for the development of the Valley Metro website, \$0.35 million (1.5%) decrease for regional planning due to a decrease in consulting services and \$0.75 million (27.8%) decrease for administration due to a decrease in salary expenses in the Executive Director's Department. Expenses in business-type activities increased \$38.7 million (31.4%), due to the expansion of transit service and implementation of the third year of the Proposition 400 TLCF.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As previously mentioned, the Authority maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental funds

The focus of the governmental funds financial statements (pages 15 - 19) is to provide information on near-term inflows, outflows and balances of spendable resources. All major governmental funds are presented in separate columns on these financial statements. All nonmajor governmental funds are aggregated into one column.

The fund balance of the governmental funds is \$28.8 million, a decrease of \$14.4 million, or 33.3%, from the previous year. Of the \$28.8 million total fund balance, the Authority has designated \$0.645 million for certain uses and the remainder is in unreserved fund balance (see Note 5 (page 38)). Unreserved fund balance may serve as a useful indicator of a government's net resources available for spending at the end of the year. Of the \$28.8 million fund balance, \$3.1 million is reported in the General Fund, \$25.2 million is reported in the Public Transportation Fund and \$0.4 million is reported in the Nonmajor Governmental Fund. All other governmental funds are reimbursement-basis special revenue funds (i.e., revenues equal expenditures) that do not have fund balances.

The General Fund accounts for activities that include the Executive Director's office and finance and management services. General Fund revenues increased 3.5% over the previous year, primarily the result of an increase in Regional Area Road Funds (RARF) revenues allocated to the general fund of \$4.2 million. As mentioned above, RARF revenue is now limited to administration in the General Fund and planning and is no longer available to fund transit services.

The Public Transportation Fund was a fund developed in FY 2006 for activities relating to the first year of Proposition 400 Public Transportation Fund (PTF) sales tax revenues. The \$126.3 million PTF sales tax revenue represents the second full year of earned revenue and decreased by \$3.9

Valley Metro
Regional Public Transportation Authority
Management's Discussion and Analysis (Continued)

million from last year. The decrease was due to the weakened economy during FY 2008 creating a decline in sales tax revenue.

The nonmajor governmental funds are aggregated in one column and include the Transit Planning Fund, the Transportation Demand Management Fund, Regional Customer Services, and the Capital and Other Grants Fund.

The Transit Planning Fund accounts for activities related to the development of strategies to promote social and economic well being of the community through the provision of an efficient and effective regional transit system. Revenues decreased 61.3% and expenditures decreased 2.2% from the prior year due to a decrease of Federal grant funds available for planning studies. Prior to 2006, sales taxes allocated to the Transit Planning Fund were shown as revenues. These monies are now shown as transfers in. Total transfers in increased 29.1% over the prior year.

The Transportation Demand Management Fund accounts for activities related to the countywide ridesharing program, trip reduction program and clean air campaign. Revenues increased 5.1% and expenditures increased 5.2% from the prior year due to an increase in grant funds available for trip reduction and ridesharing programs.

The Regional Customer Services Fund accounts for activities related to marketing, customer services, Americans with Disabilities (ADA) compliance, contract maintenance and quality monitoring, and farebox data reporting for the region. Revenues decreased 48.1% from the prior year due to a decrease of Federal grant funds available and expenditures increased 9.3% from the prior year due to an increase in the customer service and marketing programs. Prior to 2006, sales taxes allocated to the Regional Customer Services Fund were shown as revenues. Total transfers in of sales taxes increased 12.0% over the prior year.

The Capital and Other Grants Fund accounts for state and federal grant revenues and expenditures not related to planning, transportation demand management or Regional Customer Services. Revenues decreased 46.1% due to a decrease of Federal grant funds and expenditures increased 194.7% from the prior year due to the purchase of a new financial management system. Prior to 2006, sales taxes allocated to the Capital and Other Grants Fund were shown as revenues. These monies are shown as transfers in. Total transfers in increased 193.7% over the prior year.

For the governmental funds only, the July 1, 2007 beginning fund balances totaling \$468,980 have been restated upward as a result of reclassification of the unpaid compensated absences, \$164,327 in the General Fund and \$304,653 in the Nonmajor Governmental funds, which were accrued as current liabilities and expenditures prior to fiscal year 2008. See Note 1 (k) for current accounting policy.

Proprietary funds

The proprietary fund financial statements (pages 20 – 22) are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each enterprise fund is a major fund and is shown discretely on the fund statements.

Net assets of the enterprise funds increased \$21,994,930 during fiscal year 2008, primarily due to the net change in capital assets.

The Transit Service Operations Fund accounts for the activities related to the operations of local

Valley Metro
Regional Public Transportation Authority
Management's Discussion and Analysis (Continued)

and express bus, dial-a-ride and vanpool services for the region. Net assets increased 41.7%, (\$25,158,327), primarily the result of the changes in capital assets related to vehicle purchases.

The Valley Metro Rail Fund accounts for staffing and administrative services that are contractually provided by the Authority to Valley Metro Rail, Inc. (VMR) and the PTF sales tax revenues and expenses of such funds related to the Regional Transportation Plan approved light rail projects. Valley Metro Rail, Inc. is a nonprofit corporation organized for the purpose of planning, designing, constructing, and operating the light rail transit project in metropolitan Phoenix (see Note 1(a) on page 25). The Valley Metro Rail Fund has net assets of \$7,364,557 as of June 30, 2008 as compared to net assets of \$10,527,954 at the end of the previous year. In fiscal year 2008, the Valley Metro Rail Fund received 43.24% of the total PTF sales tax revenues distributed to the Authority, totaling \$54,622,329 and receives 11.9% of the total RARF sales tax revenue, totaling \$500,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was no change in appropriations between the original and final amended expenditure budget. However, there was a \$348,168 net increase in revenues between the original and final amended budget primarily due to the revised interest earnings.

For the year ended June 30, 2008, actual expenditures were under the final amended budget amounts by \$578,168. The positive variance was attributable to the Executive Director's Office and finance and management services activities of the General Fund being under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

As of June 30, 2008, the Authority had \$74.0 million invested in various capital assets, net of accumulated depreciation and related debt. There was a net increase in capital assets, net of accumulated depreciation and related debt, of \$24.7 million from June 30, 2007, which consisted of a net increase of approximately \$0.1 million resulting from governmental activities and a net increase of \$24.6 million resulting from business-type activities.

The following table provides a breakdown of capital assets of the Authority at June 30, 2008 with comparative information for the previous year. Additional information on the Authority's capital assets may be found in Note 6 on pages 39 - 41.

Capital Assets, Net of Depreciation
As of June 30
(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		Percent Change
	2008	2007	2008	2007	2008	2007	
Transit fleet	\$ -	\$ -	\$ 47,892.2	\$ 43,741.7	\$ 47,892.2	\$ 43,741.7	9.5%
Computers & software	918.9	742.3	48.5	73.8	967.4	816.1	18.5%
Equipment	366.4	83.9	5,234.0	1,858.2	5,600.4	1,942.1	188.4%
Vehicles	55.6	79.1	-	-	55.6	79.1	-29.7%
Site Improvements	-	-	662.3	650.9	662.3	650.9	1.8%
Furniture & fixtures	126.1	158.8	40.3	52.2	166.4	211.0	-21.2%
Work-in-progress	-	298.3	18,660.2	1,568.9	18,660.2	1,867.2	899.4%
Total assets	\$ 1,467.0	\$ 1,362.4	\$ 72,537.5	\$ 47,945.7	\$ 74,004.5	\$ 49,308.1	50.1%

Capital Lease Obligations and Short-term debt

At fiscal year end, the Authority had no outstanding debt obligations.

ECONOMIC FACTORS

The Authority's major initiative for fiscal year 2008 was to begin the phased implementation of the approved 20-year strategic plan. This included identification of an organizational structure that reflects the results of the strategic plan. Additionally, a number of agency focused studies were completed to prepare the agency for the next 20 years.

The key initiatives for fiscal year 2008 included:

- Development of specifications and implementation of a new Financial Management system, which will improve budgeting and financial reporting, as well as encumbrance accounting and will better link the procurement and human resources functions. The new system will benefit both RPTA and Valley Metro Rail. Go-live date was on July 1, 2008.
- Phased implementation of a 20-year strategic plan to coincide with the implementation of the Regional Transportation Plan as approved by the voters in November 2004 (Proposition 400).
- Establishing an organizational structure to carry out the strategic plan.
- Completion of a Regional Paratransit Study.
- Completion of a Service Effectiveness/Efficiency study to determine the overall performance of current bus service offerings through a detailed analysis of performance factors. Outcomes include strategies to improve, eliminate or modify the lowest performance-related services and development of recurring evaluation strategy and methodology that can be applied to a regular rating process.

The adopted FY 2009 combined operating and capital budget is \$319.0 million (up 33% from fiscal year 2008). The FY 2009 budget includes the third full year of projects funded with Proposition 400 PTF sales tax revenues (\$133.5 million). Of the \$133.5 million PTF revenue budgeted, \$75.8 million is for bus operating and bus capital and \$57.7 million is for light rail/high capacity capital. The total operating budget of \$87.9 million represents a \$10.9 million (14%) increase over the fiscal year 2008 operating budget of \$77.0 million. The total capital budget of \$231.1 million represents a \$67.9 million (42%) increase over the fiscal year 2008 capital budget of \$163.2 million. The major reason for the large increase in the capital budget is directly related to the projects programmed in the Transit Life Cycle Program (TLCP) for fiscal year 2009. The budget is balanced; decreases in net assets other than capital assets are not anticipated for fiscal year 2009.

FINANCIAL CONTACT

The financial report is designed to provide a general overview of the Authority's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to the Authority's Deputy Executive Director of Finance, Valley Metro RPTA, 302 North First Avenue, Suite 700, Phoenix, Arizona 85003.

Basic Financial Statements

- **Government-wide Financial Statements**
- **Fund Financial Statements**
- **Notes to Financial Statements**



***Regional
Public
Transportation
Authority***

Valley Metro
Regional Public Transportation Authority
Statement of Net Assets
June 30, 2008

Assets	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and investments	\$ 25,290,341	\$ 17,837,874	\$ 43,128,215
Receivables	118,132	347,765	465,897
Less allowance for doubtful account	-	(130,000)	(130,000)
Due from other governments	7,066,523	24,883,311	31,949,834
Internal balances	(2,199,023)	2,199,023	-
Other assets	3,513	236,250	239,763
Total current assets	<u>30,279,486</u>	<u>45,374,223</u>	<u>75,653,709</u>
Noncurrent Assets			
Capital assets, not being depreciated	-	18,660,154	18,660,154
Capital assets, net of accumulated depreciation	1,467,040	53,877,307	55,344,347
Total noncurrent assets	<u>1,467,040</u>	<u>72,537,461</u>	<u>74,004,501</u>
 Total assets	 <u>31,746,526</u>	 <u>117,911,684</u>	 <u>149,658,210</u>
Liabilities			
Liabilities:			
Current Liabilities			
Accounts payable	1,044,236	20,807,699	21,851,935
Due to other governments	41,529	3,501,782	3,543,311
Compensated absences payable	494,598	396,983	891,581
Other current liabilities	442,493	27,601	470,094
Total current liabilities	<u>2,022,856</u>	<u>24,734,065</u>	<u>26,756,921</u>
Noncurrent liabilities:			
Compensated absences payable	149,857	315,990	465,847
Total liabilities	<u>2,172,713</u>	<u>25,050,055</u>	<u>27,222,768</u>
Net Assets			
Invested in capital assets	1,467,040	72,537,461	74,004,501
Restricted for:			
Vanpool asset replacement	-	1,852,777	1,852,777
Transit capital asset replacement	-	479,747	479,747
Unrestricted	28,106,773	17,991,644	46,098,417
Total net assets	<u>\$ 29,573,813</u>	<u>\$ 92,861,629</u>	<u>\$ 122,435,442</u>

See accompanying notes to the financial statements.

Valley Metro
Regional Public Transportation Authority
Statement of Activities
Fiscal Year Ended June 30, 2008

<u>Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Regional planning:				
Long range planning	\$ 316,147	\$ -	\$ 93,836	\$ -
Short range planning	735,888	-	73,739	-
Capital planning	224,767	-	45,446	-
Program support	1,113,474	-	55,640	-
Transportation demand management:				
Trip reduction	819,553	-	812,869	-
Ridesharing	592,460	-	582,491	-
Other programs	373,833	-	355,381	-
Regional customer services:				
Marketing	3,110,366	-	43,200	-
Call center	3,599,018	-	-	-
Other programs	1,857,934	-	-	-
Administration:				
Executive director's office	1,033,066	-	-	-
Finance & management services	908,275	-	-	-
Total governmental activities	<u>14,684,781</u>	<u>-</u>	<u>2,062,602</u>	<u>-</u>
Business-type activities:				
Transit service operations	96,796,902	22,749,063	1,421,891	16,237,008
Light rail transit	65,243,366	6,421,524	-	-
Total business-type activities	<u>162,040,268</u>	<u>29,170,587</u>	<u>1,421,891</u>	<u>16,237,008</u>
Total primary government	<u>\$ 176,725,049</u>	<u>\$ 29,170,587</u>	<u>\$ 3,484,493</u>	<u>\$ 16,237,008</u>

General revenues:
Sales taxes:
 Public transportation funds
 Regional area road funds
Interest earnings
Other income
Transfers in (out)
 Total general revenues & transfers
 Change in net assets
Net assets - beginning
Net assets - ending

(Continue)

Net (Expense) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (222,311)		\$ (222,311)
(662,149)		(662,149)
(179,321)		(179,321)
(1,057,834)		(1,057,834)
(6,684)		(6,684)
(9,969)		(9,969)
(18,452)		(18,452)
(3,067,166)		(3,067,166)
(3,599,018)		(3,599,018)
(1,857,934)		(1,857,934)
(1,033,066)		(1,033,066)
(908,275)		(908,275)
<u>(12,622,179)</u>		<u>(12,622,179)</u>
	\$ (56,388,940)	(56,388,940)
	(58,821,842)	(58,821,842)
	<u>(115,210,782)</u>	<u>(115,210,782)</u>
<u>(12,622,179)</u>	<u>(115,210,782)</u>	<u>(127,832,961)</u>
126,323,611	-	126,323,611
4,167,168	-	4,167,168
2,503,935	536,116	3,040,051
142,810	1,688,207	1,831,017
(134,981,389)	134,981,389	-
<u>(1,843,865)</u>	<u>137,205,712</u>	<u>135,361,847</u>
<u>(14,466,044)</u>	<u>21,994,930</u>	<u>7,528,886</u>
<u>44,039,857</u>	<u>70,866,699</u>	<u>114,906,556</u>
<u>\$ 29,573,813</u>	<u>\$ 92,861,629</u>	<u>\$ 122,435,442</u>

See accompanying notes to the financial statements.



***Regional
Public
Transportation
Authority***

**Valley Metro
Regional Public Transportation Authority**

Balance Sheet
Governmental Funds
June 30, 2008

Assets	General	Public Transportation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 5,818,647	\$ 19,471,694	\$ -	\$ 25,290,341
Receivables	8,537	88,130	21,465	118,132
Due from other governments	224,362	5,801,744	1,040,417	7,066,523
Due from other funds	-	-	784,245	784,245
Other assets	917	-	2,596	3,513
Total assets	<u>\$ 6,052,463</u>	<u>\$ 25,361,568</u>	<u>\$ 1,848,723</u>	<u>\$ 33,262,754</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 186,587	\$ -	\$ 857,649	\$ 1,044,236
Due to other funds	2,281,556	142,899	558,813	2,983,268
Due to other governments	41,529	-	-	41,529
Other liabilities	421,206	-	21,287	442,493
Total liabilities	<u>2,930,878</u>	<u>142,899</u>	<u>1,437,749</u>	<u>4,511,526</u>
Fund balances:				
Unreserved, designated	233,480	-	410,974	644,454
Unreserved, undesignated	2,888,105	25,218,669	-	28,106,774
Total fund balances	<u>3,121,585</u>	<u>25,218,669</u>	<u>410,974</u>	<u>28,751,228</u>
Total liabilities and fund balance:	<u>\$ 6,052,463</u>	<u>\$ 25,361,568</u>	<u>\$ 1,848,723</u>	<u>\$ 33,262,754</u>

**Reconciliation of the balance sheet to the statement
of net assets**

Fund balances, total governmental funds balance sheet	\$ 28,751,228
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental capital assets	2,667,916
Less accumulated depreciation	<u>(1,200,876)</u>
Governmental compensated absences (long-term liabilities)	<u>(644,455)</u>
Net assets of governmental activities, statement of net assets	<u>\$ 29,573,813</u>

See accompanying notes to the financial statements

**Valley Metro
Regional Public Transportation Authority**

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2008

	General	Public Transportation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Sales taxes:				
Public transportation funds	\$ -	\$ 126,323,611	\$ -	\$ 126,323,611
Regional area road funds	4,167,168	-	-	4,167,168
Intergovernmental:				
State & county grants	-	-	422,887	422,887
Federal Transit Administration	-	-	268,661	268,661
CMAQ	-	-	1,287,054	1,287,054
Other federal grants	-	-	84,000	84,000
Interest earnings	420,823	2,083,112	-	2,503,935
Miscellaneous	684	-	143,988	144,672
Total revenues	<u>4,588,675</u>	<u>128,406,723</u>	<u>2,206,590</u>	<u>135,201,988</u>
Expenditures:				
Current:				
Regional planning:				
Long range	-	-	311,129	311,129
Short range	-	-	733,017	733,017
Capital	-	-	222,439	222,439
Program support	-	-	1,104,198	1,104,198
Transportation demand management:				
Trip reduction	-	-	816,128	816,128
Ridesharing	-	-	601,220	601,220
Other programs	-	-	370,142	370,142
Regional customer services:				
Marketing	-	-	3,084,872	3,084,872
Call center	-	-	3,563,629	3,563,629
Other programs	-	-	1,380,563	1,380,563
Administration:				
Executive director	1,030,804	-	-	1,030,804
Finance & management services	318,945	-	-	318,945
Capital outlay	-	-	1,078,709	1,078,709
Total expenditures	<u>1,349,749</u>	<u>-</u>	<u>13,266,046</u>	<u>14,615,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,238,926</u>	<u>128,406,723</u>	<u>(11,059,456)</u>	<u>120,586,193</u>
Other financing sources (uses):				
Transfers in	-	-	11,165,777	11,165,777
Transfers out	(2,717,685)	(143,429,481)	-	(146,147,166)
Total other financing sources (uses)	<u>(2,717,685)</u>	<u>(143,429,481)</u>	<u>11,165,777</u>	<u>(134,981,389)</u>
Net change in fund balances	<u>521,241</u>	<u>(15,022,758)</u>	<u>106,321</u>	<u>(14,395,196)</u>
Fund balance, beginning	2,436,017	40,241,427	-	42,677,444
Restatement	164,327	-	304,653	468,980
Fund balance, beginning, as restated	<u>2,600,344</u>	<u>40,241,427</u>	<u>304,653</u>	<u>43,146,424</u>
Fund balance, ending	<u>\$ 3,121,585</u>	<u>\$ 25,218,669</u>	<u>\$ 410,974</u>	<u>\$ 28,751,228</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2008

Net change in fund balances, total governmental funds \$ (14,395,196)

The change in net assets reported for governmental activities in the statement of activities is different because:

1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which capital outlays (\$603,626) exceeded depreciation expense (\$496,397) in the current period. 107,229

2. Proceeds from disposition of assets increase financial resources for budgetary basis, but is not a revenue for GAAP basis. (1,862)

3. The loss on disposal of capital assets is not a budgeted expense, but is a revenue for GAAP purposes. (740)

4. The governmental funds, under the modified accrual basis of accounting, do not report the unpaid compensated absences as expenditure or liability, as they are not paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are used. (175,475)

Change in net assets of governmental activities, statement of activities \$ (14,466,044)

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
General Fund
Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes:				
Regional area road funds	\$ 4,169,000	\$ 4,167,168	\$ 4,167,168	\$ -
Interest	50,000	400,000	420,823	20,823
Miscellaneous	-	-	684	684
Total revenues	<u>4,219,000</u>	<u>4,567,168</u>	<u>4,588,675</u>	<u>21,507</u>
Expenditures:				
Current:				
Executive director	1,217,840	1,217,840	1,030,804	(187,036)
Finance and management services	710,077	710,077	318,945	(391,132)
Total expenditures	<u>1,927,917</u>	<u>1,927,917</u>	<u>1,349,749</u>	<u>(578,168)</u>
Excess of revenues over expenditures	<u>2,291,083</u>	<u>2,639,251</u>	<u>3,238,926</u>	<u>599,675</u>
Other financing uses:				
Transfers out:				
Transit planning	(1,761,439)	(1,731,251)	(1,539,723)	191,528
Capital and other grants	(1,568,200)	(720,000)	(677,962)	42,038
Valley Metro Rail	(500,000)	(500,000)	(500,000)	-
Total other financing uses	<u>(3,829,639)</u>	<u>(2,951,251)</u>	<u>(2,717,685)</u>	<u>233,566</u>
Net change in fund balance	<u>(1,538,556)</u>	<u>(312,000)</u>	<u>521,241</u>	<u>833,241</u>
Fund balance, beginning	2,436,017	2,436,017	2,436,017	-
Restatement	-	-	164,327	164,327
Fund balance, beginning, as restated	<u>2,436,017</u>	<u>2,436,017</u>	<u>2,600,344</u>	<u>164,327</u>
Fund balance, ending	<u>\$ 897,461</u>	<u>\$ 2,124,017</u>	<u>\$ 3,121,585</u>	<u>\$ 997,568</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Public Transportation Fund
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Sales taxes:				
Public transportation funds	\$ 139,400,001	\$ 129,300,000	\$ 126,323,611	\$ (2,976,389)
Interest	847,773	1,249,772	2,083,112	833,340
Total revenues	<u>140,247,774</u>	<u>130,549,772</u>	<u>128,406,723</u>	<u>(2,143,049)</u>
Excess of revenues over expenditures	<u>140,247,774</u>	<u>130,549,772</u>	<u>128,406,723</u>	<u>(2,143,049)</u>
Other financing uses:				
Transfers out:				
Transit planning	(1,784,662)	(1,212,751)	(533,031)	679,720
Transit operations	(68,888,426)	(78,141,141)	(79,859,060)	(1,717,919)
Regional customer services	(8,450,350)	(8,854,298)	(8,415,061)	439,237
Valley Metro Rail	(60,276,560)	(55,909,320)	(54,622,329)	1,286,991
Total other financing uses	<u>(139,399,998)</u>	<u>(144,117,510)</u>	<u>(143,429,481)</u>	<u>688,029</u>
Net change in fund balance	<u>847,776</u>	<u>(13,567,738)</u>	<u>(15,022,758)</u>	<u>(1,455,020)</u>
Fund balance, beginning	<u>40,241,427</u>	<u>\$ 40,241,427</u>	<u>\$ 40,241,427</u>	<u>-</u>
Fund balance, ending	<u>\$ 41,089,203</u>	<u>\$ 26,673,689</u>	<u>\$ 25,218,669</u>	<u>\$ (1,455,020)</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Business-Type Activities - Enterprise Fund		Total Proprietary Funds
	Transit Service Operations	Valley Metro Rail	
Assets			
Current assets			
Cash and investments	\$ 11,409,428	\$ 6,428,446	\$ 17,837,874
Receivables:	329,665	18,100	347,765
Less allowance for doubtful account:	(130,000)	-	(130,000)
Due from other governments:	19,526,180	5,357,131	24,883,311
Due from other funds	2,508,187	-	2,508,187
Other assets	236,250	-	236,250
Total current assets	<u>33,879,710</u>	<u>11,803,677</u>	<u>45,683,387</u>
Noncurrent assets			
Capital assets, not being depreciated	18,660,154	-	18,660,154
Capital assets, net of accumulated depreciation	53,877,307	-	53,877,307
Total noncurrent assets	<u>72,537,461</u>	<u>-</u>	<u>72,537,461</u>
Total assets	<u>106,417,171</u>	<u>11,803,677</u>	<u>118,220,848</u>
Liabilities			
Current liabilities			
Accounts payable	20,807,699	-	20,807,699
Due to other funds	-	309,164	309,164
Due to other governments:	-	3,501,782	3,501,782
Compensated absences payable	60,556	336,427	396,983
Other current liabilities:	3,643	23,958	27,601
Total current liabilities:	<u>20,871,898</u>	<u>4,171,331</u>	<u>25,043,229</u>
Noncurrent liabilities			
Compensated absences payable	48,201	267,789	315,990
Total liabilities	<u>20,920,099</u>	<u>4,439,120</u>	<u>25,359,219</u>
Net Assets			
Invested in capital assets, net of related debt	72,537,461	-	72,537,461
Restricted:			
Vanpool vehicle replacement	1,852,777	-	1,852,777
Transit vehicle replacement	479,747	-	479,747
Unrestricted	10,627,087	7,364,557	17,991,644
Total net assets	<u>\$ 85,497,072</u>	<u>\$ 7,364,557</u>	<u>\$ 92,861,629</u>

See accompanying notes to the financial statement:

**Valley Metro
Regional Public Transportation Authority**

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Fiscal Year Ended June 30, 2008

	Business-Type Activities - Enterprise Funds		Total Proprietary Funds
	Transit Service Operations	Valley Metro Rail	
Operating Revenues:			
Charges for services	\$ 22,749,063	\$ 6,421,524	\$ 29,170,587
Miscellaneous	30,423	-	\$ 30,423
Total operating revenues	<u>22,779,486</u>	<u>6,421,524</u>	<u>29,201,010</u>
Operating Expenses:			
Local & express bus service	43,341,102	-	43,341,102
Light rail staff and administration	-	6,421,524	6,421,524
Paratransit service	9,131,300	-	9,131,300
Vanpool service	770,227	-	770,227
Safety and security	470,044	-	470,044
Administrative and general	48,470	-	48,470
Depreciation	8,438,269	-	8,438,269
Total operating expenses	<u>62,199,412</u>	<u>6,421,524</u>	<u>68,620,936</u>
Operating loss	(39,419,926)	-	(39,419,926)
Non-Operating Revenues (Expenses):			
Lead agency disbursements	(34,597,490)	(58,821,842)	(93,419,332)
Federal Transit Administration grants	16,501,060	-	16,501,060
IRS fuel tax credit	1,147,487	-	1,147,487
Interest income	-	536,116	536,116
Gain on disposal of capital assets	346,999	-	346,999
Miscellaneous	163,298	-	163,298
Total non-operating revenues (expenses)	<u>(16,438,646)</u>	<u>(58,285,726)</u>	<u>(74,724,372)</u>
Income (loss) before contributions and transfers	(55,858,572)	(58,285,726)	(114,144,298)
Capital contributions	1,157,839	-	1,157,839
Transfers in	<u>79,859,060</u>	<u>55,122,329</u>	<u>134,981,389</u>
Changes in net assets	<u>25,158,327</u>	<u>(3,163,397)</u>	<u>21,994,930</u>
Net assets, beginning	<u>60,338,745</u>	<u>10,527,954</u>	<u>70,866,699</u>
Net assets, ending	<u>\$ 85,497,072</u>	<u>\$ 7,364,557</u>	<u>\$ 92,861,629</u>

See accompanying notes to the financial statements.

**Valley Metro
Regional Public Transportation Authority**

Statement of Cash Flows

Proprietary Funds

Fiscal Year Ended June 30, 2008

	Business-Type Activities - Enterprise Fund		Total Proprietary Funds
	Transit Service Operations	Valley Metro Rail	
Cash flows from operating activities			
Receipts from customers	\$ 29,522,282	\$ 6,241,664	\$ 35,763,946
Payments to suppliers	(54,801,773)	(253,807)	(55,055,580)
Payments to employees	(877,222)	(6,229,002)	(7,106,224)
Net cash used in operating activities	<u>(26,156,713)</u>	<u>(241,145)</u>	<u>(26,397,858)</u>
Cash flows from noncapital and related financing activities:			
Transfers in - sales taxes	28,548,017	500,000	29,048,017
Lead agency disbursements:	(1,053,712)	(500,000)	(1,553,712)
Due to/from other funds	(2,508,187)	241,145	(2,267,042)
Federal alternative fuel tax cred	3,453,852	-	3,453,852
Receipts from federal grants	309,665	-	309,665
Net cash provided by noncapital financing activities	<u>28,749,635</u>	<u>241,145</u>	<u>28,990,780</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(26,256,977)	-	(26,256,977)
Lead agency disbursements:	(33,543,778)	(71,805,305)	(105,349,083)
Receipts from federal capital grant:	13,307,292	-	13,307,292
Proceeds from sale of capital asset:	496,852	-	496,852
Transfers in - sales taxes	51,311,043	54,893,299	106,204,342
Local member participation	(1,684,575)	-	(1,684,575)
Miscellaneous	146,151	-	146,151
Net cash (used in) provided by capital and related financing activities:	<u>3,776,008</u>	<u>(16,912,006)</u>	<u>(13,135,998)</u>
Cash flows from investing activities:			
Interest received on investment:	-	598,348	598,348
Net cash provided by investing activities:	<u>-</u>	<u>598,348</u>	<u>598,348</u>
Net increase (decrease) in cash and cash equivalents	6,368,930	(16,313,658)	(9,944,728)
Cash and cash equivalents, beginning of year	5,040,498	22,742,104	27,782,602
Cash and cash equivalents, end of year	<u>\$ 11,409,428</u>	<u>\$ 6,428,446</u>	<u>\$ 17,837,874</u>
Reconciliation of operating loss to net cash (used in) provided by operating activities:			
Operating loss	\$ (39,419,926)	\$ -	\$ (39,419,926)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:			
Depreciation	8,438,269	-	8,438,269
(Increase) decrease in assets			
Accounts receivable	60,335	-	60,335
Due from other governments:	6,682,461	(179,860)	6,502,601
Other assets	-	-	-
Decrease in liabilities			
Accounts payable	(1,821,149)	-	(1,821,149)
Due to other governments:	(76,528)	-	(76,528)
Accrued liabilities:	(20,175)	(61,285)	(81,460)
Total adjustments	<u>13,263,213</u>	<u>(241,145)</u>	<u>13,022,068</u>
Net cash used in operating activities:	<u>\$ (26,156,713)</u>	<u>\$ (241,145)</u>	<u>\$ (26,397,858)</u>
Noncash capital and operating activities:			
Capital assets contributed by a local member city	<u>\$ 1,157,839</u>	<u>\$ -</u>	<u>\$ 1,157,839</u>
Purchase of capital assets with corresponding increase in accounts payable	<u>\$ 5,747,813</u>	<u>\$ -</u>	<u>\$ 5,747,813</u>

See accompanying notes to the financial statement:

Valley Metro
Regional Public Transportation Authority
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Fiscal Year Ended June 30, 2008

	LTA II Private Purpose Trust Fund
Additions	
Contributions	<u>\$ 6,074,872</u>
Total additions	<u>6,074,872</u>
Deductions	
Distributions	<u>6,074,872</u>
Total deductions	<u>6,074,872</u>
Changes in net assets	-
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

Regional Public Transportation Authority

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1. **Summary of Significant Accounting Policies**

The accounting policies of the Regional Public Transportation Authority (the Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the more significant accounting policies of the Authority is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this financial report.

a. **Financial Reporting Entity**

The Authority was established under the laws of the State of Arizona in 1985 along with the passage of a one-half of one percent sales tax increase to fund regional highway and public transportation improvements. The Authority was charged with developing a regional transit plan and developing and operating a regional transit system for Maricopa County (the County). In 1993, the Authority's Board of Directors adopted Valley Metro as the identity for the regional transit system. Valley Metro was chosen to give the region's buses a more recognizable identity and to help unify public transit systems in the County.

The Authority is governed by a Board of Directors consisting of a member of the County Board of Supervisors and the mayors (or their designees) of the cities of Avondale, Chandler, El Mirage, Glendale, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe and Goodyear, and the towns of Gilbert and Queen Creek. A municipality may have one elected official serve on the Authority's Board of Directors by committing a portion of their local transportation assistance funds to local public transportation.

In October 2002, the city councils of Glendale, Mesa, Phoenix and Tempe approved the formation of a public nonprofit corporation by the name of Valley Metro Rail, Inc. (VMR). The nonprofit corporation was organized for the purpose of planning, designing, constructing, and operating the Light Rail Transit Project. VMR contracts with the Authority for certain administrative functions, including personnel, administration and financial and accounting services. This activity is recorded in the Authority's Valley Metro Rail Enterprise Fund. All VMR staff is hired and employed by the Authority but works solely under the direction of the legally separate entity of VMR and its Board of Directors through a contractual arrangement with the Authority. The Board of VMR is solely responsible for the governance of VMR and the Authority's Board of Directors has no responsibility for VMR. VMR is not a component unit of the Authority because the economic resources received by VMR are entirely for the direct benefit of VMR and the Authority is not entitled to and has no ability to otherwise access any of the economic resources received or held by VMR. However, VMR is a related party of the Authority since the cities who are members of VMR's Board of Directors are also members of the Authority's Board of Directors.

b. **Basic Financial Statements**

These financial statements are presented in accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34).

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2008

The government-wide financial statements (statement of net assets and statement of activities) report on the Authority as a whole, excluding fiduciary activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets less liabilities equal net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Authority would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Reservations or designations of net assets imposed by the reporting government, whether by administrative policy or legislative action of the reporting government, are not shown on the government-wide financial statements. Note 5 discusses the internal reservations and designations of net assets in the various funds to demonstrate the government's intended use of those net assets.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions and segments of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and the other revenues not identifiable with particular functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2008

financial statements.

c. Basis of Presentation

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following fund categories (further divided by fund type) are used by the Authority:

Governmental Funds

Governmental funds are used to account for the Authority's general government activities. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income. The Authority reports the following major Governmental Funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Public Transportation Fund accounts for activities related to the 20-year transportation tax.

Proprietary Funds

Proprietary funds account for activities of the Authority similar to those found in the private sector, where cost recovery and the determination of net income are useful or necessary for sound fiscal management. The focus of proprietary fund measurement is upon the determination of operating income, changes in net assets, financial position and cash flows. Currently, enterprise funds are the only type of proprietary funds that the Authority uses.

Enterprise funds are used to account for those operations that provide services to the general public for a fee. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the Authority to establish activity fees or charges to recover the cost of providing services, including capital costs.

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2008

The Authority reports the following major enterprise funds:

The Transit Service Operations Fund accounts for the activities related to the operations of local and express bus, dial-a-ride and vanpool services for the region.

The Valley Metro Rail Fund accounts for the activities related to the staffing and administrative services that are contractually provided by the Authority to Valley Metro Rail, Inc. and transfers in of the Public Transportation Fund (PTF) and the Regional Area Road Funds (RARF) sales tax revenues and expenses of such funds related to the Regional Transportation Plan approved light rail projects.

Fiduciary Funds

Fiduciary funds account for assets held by the Authority in a trustee or agency capacity on behalf of others and therefore are not available to support Authority programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements since they are not assets of the Authority available to support Authority programs. Currently, private-purpose trust funds are the only type of fiduciary funds that the Authority uses:

Private-purpose trust fund accounts for assets held by the Authority under the terms of a formal trust agreement where both the principal and income may be used to support individuals, private organizations or other governments as set forth in the trust agreement. The private-purpose trust fund of the Authority is as follows:

The LTAF II Fund accounts for state general fund monies received from the Arizona Department of Transportation and distributed to the cities and county within the Authority's region.

d. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund types are presented, in the fund financial statements, using the flow of current financial resources measurement focus and modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance is a measure of available spendable resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. The Authority considers revenues available under modified accrual, if they are earned by June 30 (all eligibility requirements have been met) and the revenue is expected to be collected within six months after year-end. Expenditures are recorded

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Regional Public Transportation Authority

Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2008

when the related fund liability is incurred.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements. Additional reconciliations are also provided in Note 2.

When applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33 – *Recipient Reporting for Certain Shared Non-exchange Transactions* (Statement No. 33), receivables and revenues are recognized when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred revenue.

Interest income is recognized on the modified accrual basis. Changes in fair value of investments are recognized in investment income at the end of the year.

Sales taxes, entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. For the governmental fund statements, grant revenue earned but not expected to be received within six months of year end is deferred.

The proprietary fund and private purpose trust funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements.

The flow of economic resources measurement focus emphasizes the determination of net income.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, i.e., charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity.

e. Budgetary Basis of Accounting

An annual budget of revenues and expenditures is prepared and adopted by the Board of Directors each fiscal year for all funds. The legal level of budgetary control is the total annual appropriated budget. Costs in excess of the total annual appropriated budget require approval of the Board of Directors. Transfers of appropriations between departments require the approval of the Executive Director. The annual budget is adopted on the modified accrual basis. Encumbrance accounting is not used and all appropriations lapse at year end. Prior to final adoption, a proposed budget is presented to the Board of Directors for review and public comment is received. Final adoption of the budget must be on or before June 30 of each year. During the fiscal year, the Board of Directors approved the decrease of \$16.4 million of revenues primarily due to the revised PTF revenue and FTA grant revenue collections and approved the decrease of expenditures of \$35.6 million mainly due to some of the local governments' construction project reimbursements and the capital projects deferred to Fiscal Year 2009.

GASB Statement No. 34 requires that budgetary comparison statements for the general fund and major special revenue funds be presented as part of the basic financial statements or as required supplementary information. The Authority has chosen to present this information as part of the basic financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis). Budgetary comparisons for the nonmajor governmental funds and the major enterprise funds are presented in the combining statements following the notes to the financial statements. Where necessary, a reconciliation has been provided of the adjustments required to convert the budgetary revenues and expenditures or changes in net assets on a budgetary basis to revenues and expenditures/expenses or change in net assets on a GAAP basis.

f. Deposits and Investments

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and any of its agencies, corporations or instrumentalities, collateralized repurchase agreements, certificates of deposit and the State of Arizona's Local Government Investment Pool (LGIP). Currently the Authority invests only in the LGIP, which is operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes, §35-326. Arizona Revised Statutes, §35-312 and §35-313 regulate authorized investments.

Local Government Investment Pool investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

The Authority maintains pooled cash and investments. Income from pooled cash and investments is allocated to the individual funds based on the fund's month end cash balance in relation to the total pooled cash and investments. Authority management has determined that the investment income related to all funds except the Valley Metro Rail Enterprise Fund should be allocated to the General Fund.

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Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2008

Each fund's equity in the pooled cash and investments is tracked on an ongoing basis. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund at year-end.

g. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

h. Capital Assets

GASB No. 34 requires that all capital assets, whether owned by governmental activities or business-type activities, be recorded and depreciated (unless the modified approach is used) in the government-wide financial statements. No long-term assets or depreciation are shown in the governmental fund financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. The Authority has no public domain infrastructure (e.g., roads, bridges, sidewalks, and other assets that are immovable and of value only to the Authority) or capital construction projects. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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Valley Metro
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Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2008

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Life (Years)</u>
Equipment	7-20
Furniture and fixtures	7-15
Vehicles	
Cars and vans	4
Buses greater than 30 feet	10
Buses greater than 40 feet	12
Computers and software	3
Site improvements	20

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

i. Transactions Between Funds

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported in the fund financial statements as "due to/from other funds". See Note 4 for further discussion of the interfund receivables/payables at June 30.

Certain transactions occurring between funds that are combined within the same fund type or displayed in the same financial statement column for presentation in these annual financial statements have been eliminated from the financial statements. In the government-wide financial statements, only the net interfund activity and balances between governmental activities and business-type activities are shown (reported as "internal balances").

j. Receivables

Receivables primarily result from various grants awarded by the Federal Transit Administration and the Federal Highway Administration. These receivables are passed through to the Authority and are due from the City of Phoenix, Maricopa Association of Governments, Maricopa County, Pima County and the Arizona Department of Transportation as reimbursement for eligible grant expenditures associated with operating, capital projects and capital maintenance.

During the fiscal year ended June 30, 2008, the Authority recorded \$1,147,487 as non-operating revenues and receivables of alternative fuel tax credit filed with the Internal Revenue Service (IRS) for fuel purchases during the fiscal year. The federal alternative fuel tax credit went into effect October 1, 2006, as part of the 2005 Transportation Act.

Valley Metro
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Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2008

Government and certain nonprofit organizations that qualify for the credit but do not have excise tax liability can receive cash payment from the federal government in the amount of \$0.50 per gallon-equivalent. This credit applies to CNG, LNG, propane, and several other less frequently used fuels. RPTA registered with the IRS and was approved as a qualifying agency to receive the alternative fuel tax credit.

k. Compensated Absences

Employees of the Authority are entitled to 23.6 - 31.5 paid time off days (vacation and sick leave) per calendar year - based on an eight-hour workday, depending upon length of service. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16. Unpaid compensated absences are recorded as a liability when the benefits are earned in the proprietary fund financial statements. For governmental funds, there is no legal requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees (see Note 16 for restatement of governmental fund beginning fund balances). The liability is liquidated with resources of the same fund that has paid the applicable employee's regular salaries and fringe benefits. The current portion of the accrued compensated absences liability is based on the average annual amount of leave charged over the preceding three years.

l. Cash Equivalents

The Authority considers short-term investments in the State of Arizona's Local Government Investment Pool, mutual fund-money market, U.S. Treasury bills and notes with maturities of three months or less at acquisition date to be cash equivalents.

m. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting financial period. Actual results could differ from these estimates.

n. Accounting Pronouncements

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, requires that governments' enterprise activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except those that

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2008

conflict with or contradict GASB pronouncements. The Authority has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

2. Reconciliation of Governmental Fund Financial Statements to Government-Wide Statements

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each fund financial statement. Additional reconciliations are provided below.

Reconciliation of Governmental Funds Balance Sheet and the government-wide Statement of Net Assets:

	Total Governmental Funds	Long-term Assets/ Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
Assets				
Cash and investments	\$ 25,290,341	\$ -	\$ -	\$ 25,290,341
Receivables	118,132	-	-	118,132
Due from other governments	7,066,523	-	-	7,066,523
Due from other funds	784,245	-	(2,983,268)	(2,199,023)
Other assets	3,513	-	-	3,513
Capital assets (net)	-	1,467,040	-	1,467,040
Total assets	<u>\$ 33,262,754</u>	<u>\$ 1,467,040</u>	<u>\$ (2,983,268)</u>	<u>\$ 31,746,526</u>
Liabilities				
Accounts payable	\$ 1,044,236	\$ -	\$ -	\$ 1,044,236
Due to other funds	2,983,268	-	(2,983,268)	-
Due to other governments	41,529	-	-	41,529
Other liabilities	442,493	-	-	442,493
Compensated absences	-	644,455	-	644,455
Total liabilities	<u>4,511,526</u>	<u>644,455</u>	<u>(2,983,268)</u>	<u>2,172,713</u>
Fund Balance/Net Assets				
Total fund balance/net assets	<u>\$ 28,751,228</u>	<u>\$ 822,585</u>	<u>\$ -</u>	<u>\$ 29,573,813</u>

When capital assets that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net assets includes those capital assets among the assets of the Authority as a whole:

Cost of capital assets	\$ 2,667,916
Accumulated depreciation	<u>(1,200,876)</u>
Capital assets, net	<u>\$ 1,467,040</u>

Valley Metro
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Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2008

Interfund transactions between governmental activities of \$2,983,268 are eliminated in the consolidation of these activities for the statement of net assets.

Under the modified accrual basis of accounting, the governmental funds do not accrue for unpaid compensated absences in the amount of \$644,455 as liability, as they are not paid with expendable available financial resources (see Note 16 for restatement of beginning fund balance). However, the statement of net assets includes the unpaid compensated absences as long-term liabilities regardless of when financial resources are used, and thus a reduction in net assets.

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities:

	Total Governmental Funds	Capital Purchases	Depreciation Disposals	Compensated Absences	Statement of Activities Totals
Revenues					
Sales taxes	\$ 130,490,779	\$ -	\$ -	\$ -	\$ 130,490,779
Intergovernmental	2,062,602	-	-	-	2,062,602
Interest earnings	2,503,935	-	-	-	2,503,935
Miscellaneous	144,672	-	(1,862)	-	142,810
Total revenues	<u>135,201,988</u>	<u>-</u>	<u>(1,862)</u>	<u>-</u>	<u>135,200,126</u>
Expenditures/Expenses					
Current:					
Regional planning	2,370,783	-	-	19,493	2,390,276
Transportation demand management	1,787,490	-	-	(1,644)	1,785,846
Administration	1,349,749	403,498	118,940	69,154	1,941,341
Regional customer services	8,029,064	71,585	378,197	88,472	8,567,318
Capital outlay	1,078,709	(1,078,709)	-	-	-
Total expenditures/expenses and other uses	<u>14,615,795</u>	<u>(603,626)</u>	<u>497,137</u>	<u>175,475</u>	<u>14,684,781</u>
Other financing uses/changes in net assets					
Transfers in	11,165,777	-	-	-	11,165,777
Transfers out	(146,147,166)	-	-	-	(146,147,166)
Total fund balance/net assets	<u>(134,981,389)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,981,389)</u>
Net change for the year	<u>\$ (14,395,196)</u>	<u>\$ 603,626</u>	<u>\$ (498,999)</u>	<u>\$ (175,475)</u>	<u>\$ (14,466,044)</u>

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended for capital outlay (\$603,627), whereas net assets decrease by the amounts of disposals and depreciation expense charged for the year (\$498,999).

**Valley Metro
Regional Public Transportation Authority**

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2008

The governmental funds do not report unpaid compensated absences in the amount of \$175,474 as expenditures, as they are not paid with expendable available financial resources. However, the statement of net assets includes the unpaid compensated absences as accrued expenses regardless of when financial resources are used, and thus a reduction in net assets.

3. Deposits and Investments

The Authority maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the government-wide Statement of Net Assets as "Cash and Investments".

a. Deposits

The carrying amount of the Authority's deposits at June 30, 2008, was \$2,320,985 and the bank ledger balance was \$2,894,623. The difference of \$573,638 represents deposits in transit and outstanding checks. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,794,623 was covered by collateral held by the pledging financial institution in the Authority's name.

b. Investments

Interest Rate Risk. As a means of managing its exposure to fair value losses arising from increasing interest rates, the Authority's investment policy provides for matching investment maturities with anticipated cash flow requirements while maintaining an emphasis on liquidity. Unless matched to a specific cash flow requirement, the Authority will not directly invest in securities maturing more than two years from the date of purchase. Historically, the Authority has limited its investments to participation in the State of Arizona's Local Government Investment Pool (LGIP). As of June 30, 2008, the Authority's investments in the LGIP, investing in money market mutual funds, have the weighted average maturities less than 90 days.

Credit Risk. State statutes authorize the Authority to invest in obligations of the U.S. Treasury and any of its agencies, corporations or instrumentalities, collateralized repurchase agreements, certificates of deposit and the LGIP. The Authority's investment policy does not further limit its investment choices. The LGIP is operated by the Arizona State Treasurer's Office, as authorized by Arizona Revised Statutes §35-326. Arizona Revised Statutes §35-312 and §35-313 regulate authorized investments. The LGIP is overseen according to Arizona State Statute by the State Board of Deposit. The Authority's investment in the LGIP is stated at fair value, which is the same as the value of the Authority's pool shares. The LGIP does not receive a credit quality rating.

Investments at June 30, 2008 consist of the following:

State of Arizona Local Government Investment Pool	\$	40,807,230
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Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, provides for disclosures of custodial credit risk associated with

**Valley Metro
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Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2008

investment securities. An exception is provided for investments in external investment pools and for investments in open-ended mutual funds.

Cash and Investments at June 30, 2008 consist of the following:

Carrying amount of the Authority's deposits	\$	2,320,985
Investments in the LGIP		40,807,230
Total cash and investments	\$	<u>43,128,215</u>

4. Accounts Receivable and Interfund Transactions

Accounts receivable are recorded in the various funds and displayed in the financial statements. All receivable balances at June 30, 2008 are expected to be collected in full, except for an allowance for uncollectible in the amount of \$130,000 has been recorded.

Net interfund receivables and payables between governmental activities and business-type activities of \$2,199,023 are included in the government-wide financial statements at June 30, 2008. The following interfund receivables and payables are included in the fund financial statements at June 30, 2008:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental activities:		
Nonmajor governmental funds	Valley Metro Rail	\$ 309,164
Nonmajor governmental funds	Public transportation fund	142,899
Nonmajor governmental funds	Nonmajor governmental funds	<u>332,182</u>
Total governmental activities		<u>784,245</u>
Business-type activities:		
Enterprise funds:		
Transit service operations	General fund	2,281,556
Transit service operations	Nonmajor governmental funds	<u>226,631</u>
Total business-type activities		<u>2,508,187</u>
Total		<u>\$ 3,292,432</u>

The interfund balances at June 30, 2008 are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to grant and other reimbursements. All interfund balances outstanding at June 30, 2008 are expected to be repaid within one year.

Interfund transfers are primarily used for transfers of sales tax revenues from the General fund and the Public Transportation fund to the various funds that receive earmarked sales tax revenues. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2008.

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2008

	<u>Transfers Out</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Public Transportation Fund</u>	
<u>Transfers In</u>			
Governmental funds:			
Nonmajor governmental funds	2,217,685	8,948,092	11,165,777
Total governmental funds	<u>2,217,685</u>	<u>8,948,092</u>	<u>11,165,777</u>
Enterprise funds:			
Transit service operations	-	79,859,060	79,859,060
Valley Metro Rail	500,000	54,622,329	55,122,329
Total enterprise funds	<u>500,000</u>	<u>134,481,389</u>	<u>134,981,389</u>
Grand totals	<u>\$ 2,717,685</u>	<u>\$ 143,429,481</u>	<u>\$ 146,147,166</u>

Net transfers from governmental activities to business-type activities on the government-wide statement of activities to the Enterprise funds are in the amount \$134,981,389.

5. Fund Balance/Net Assets Reservations and Designations

General Fund:

Unreserved/Designated - At June 30, 2008, \$233,480 of fund balance was designated by management for the payment of accrued compensated absences.

Unreserved/Undesignated - At June 30, 2008, \$2,888,105 of fund balance was unreserved and undesignated.

Public Transportation Fund:

Unreserved/Undesignated - At June 30, 2008 \$25,218,669 of fund balance was unreserved and undesignated.

Nonmajor Governmental Funds

Unreserved/Designated - At June 30, 2008, \$410,974 of fund balance was designated by management for the payment of accrued compensated absences.

Transit Service Operations Enterprise Fund:

Restricted for Vanpool Vehicle Replacement - At June 30, 2008, \$1,852,777 was restricted for replacement of vanpool vehicles.

Restricted for Transit capital asset Replacement - At June 30, 2008, \$479,747 was capital asset replacement.

Unrestricted - At June 30, 2008, \$10,627,087 of fund balance was unrestricted.

Valley Metro Rail Fund:

Unreserved/Undesignated - At June 30, 2008 \$7,364,557 of fund balance was unreserved and undesignated.

6. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2008:

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Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2008

	Balances, June 30, 2007	Increases	Decreases	Balances, June 30, 2008
Governmental activities:				
Non-depreciable assets:				
Work in progress -				
SANS processor and equipment	\$ 102,629	\$ -	\$ (102,629)	\$ -
Regional customer relation management system	195,635	85,132	(280,767)	-
Total work in progress	298,264	85,132	(383,396)	-
Depreciable assets:				
Computers & software	\$ 1,227,700	\$ 557,877	(59,961)	\$ 1,725,616
Equipment	241,944	344,013	(25,979)	559,978
Vehicles	153,441	-	-	153,441
Furniture & fixtures	228,881	-	-	228,881
Total depreciable assets at historical cost	1,851,966	901,890	(85,940)	2,667,916
Less accumulated depreciation for:				
Computers & software	(485,354)	(381,210)	59,831	(806,733)
Equipment	(158,033)	(59,012)	23,507	(193,538)
Vehicles	(74,342)	(23,478)	-	(97,820)
Furniture & fixtures	(70,088)	(32,697)	-	(102,785)
Total accumulated depreciation	(787,817)	(496,397)	83,338	(1,200,876)
Governmental activities capital assets, net	\$ 1,362,413	\$ 490,625	\$ (385,998)	\$ 1,467,040
Business-type activities:				
Non-depreciable assets:				
Work in progress -				
Bus spec development	\$ 49,750	\$ 119,806	\$ -	\$ 169,556
Fare collection system	1,496,416	1,784,114	(3,280,530)	-
East valley equipment upgrades	22,753	-	(22,753)	-
Transit fleet	-	14,366,400	-	14,366,400
Mesa facility purchase	-	4,124,198	-	4,124,198
Total work in progress	1,568,919	20,394,518	(3,303,283)	18,660,154
Depreciable assets:				
Transit fleet	77,300,467	12,059,824	(9,194,055)	80,166,236
Site improvements	685,209	47,537	-	732,746
Computers & software	75,932	-	-	75,932
Equipment	2,538,391	3,964,033	-	6,502,424
Furniture & fixtures	83,665	-	-	83,665
Total depreciable assets at historical cost	80,683,664	16,071,394	(9,194,055)	87,561,003
Less accumulated depreciation for:				
Transit fleet	(33,558,773)	(7,776,569)	9,061,349	(32,273,993)
Site improvements	(34,260)	(36,241)	-	(70,501)
Computers & software	(2,109)	(25,311)	-	(27,420)
Equipment	(680,193)	(588,196)	-	(1,268,389)
Furniture & fixtures	(31,441)	(11,952)	-	(43,393)
Total accumulated depreciation	(34,306,776)	(8,438,269)	9,061,349	(33,683,696)
Business-type activities capital assets, net	\$ 47,945,807	\$ 28,027,643	\$ (3,435,989)	\$ 72,537,461

Valley Metro
Regional Public Transportation Authority
Notes to the Financial Statements (Continued)
Fiscal Year Ended June 30, 2008

Depreciation expense was charged to the following functions in the basic financial statements:

	Government- Wide	Business- Type
General government	\$ 118,200	\$ -
Regional customer services	378,198	-
Transit service operations	-	8,438,269
Total depreciation expense	<u>\$ 496,398</u>	<u>\$ 8,438,269</u>

The Authority's enterprise funds have entered into contracts having remaining commitments at June 30, 2008 as follows:

	Expended To Date	Contract Amount	Outstanding Commitments
Governmental activities:	\$ -	\$ -	\$ -
Business-type activities:			
Costs for Bus Tag #s 6607- 6647	14,329,652	14,329,652	-
Tire costs for one hybrid bus	2,080	2,080	-
Tire costs for Bus Tag #s 8511-8520	34,668	34,668	-
Bus spec development	119,806	142,066	22,260
Mesa facility purchase	4,124,198	9,275,198	5,151,000
Total	<u>\$ 18,610,404</u>	<u>\$ 23,783,664</u>	<u>\$ 5,173,260</u>

These commitments have not been recorded in the accompanying financial statements. Only the currently payable portions of these contracts have been included in the accounts payable in the accompanying financial statements.

7. Operating Leases

The Authority leases office space, fuel station and land under various operating lease agreements. Total rent expenditures for these leases were \$1,274,263 for the fiscal year ended June 30, 2008. The future minimum lease payments under noncancelable operating leases at June 30, 2008 were as follows:

Year Ending June 30	
2009	\$ 732,276
2010	544,776
2011	<u>272,388</u>
Total	<u>\$ 1,549,440</u>

8. Compensated Absences

Compensated absences activity for the fiscal year ended June 30, 2008 is as follows:

	Balance, July 1, 2007	Increases	Decreases	Balance, June 30, 2008	Amount Due Within One Year
Compensated absences:					
Governmental activities	\$ 468,980	\$ 675,578	\$ (500,103)	\$ 644,455	\$ 494,598
Business-type activities	533,249	553,220	(373,496)	712,973	396,983
	<u>\$ 1,002,229</u>	<u>\$ 1,228,798</u>	<u>\$ (873,599)</u>	<u>\$ 1,357,428</u>	<u>\$ 891,581</u>

9. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Authority purchases insurance coverage for property, general liability, automobile liability, umbrella liability, commercial crime, public entity employment practices liability, public entity management liability and excess liability. In addition, the Authority purchases workers' compensation, employee life insurance and health and dental insurance coverage for all of its full-time employees. Settled claims for these risks have never exceeded commercial insurance limits and there were no significant changes in insurance coverage from the prior year. Insurance coverage for transit operations is carried by the contracted operators of service; the operators indemnify the Authority for all liability arising from transit operations.

10. Retirement and Pension Plans

Arizona State Retirement System

a. Plan descriptions

All full-time Authority employees participate in the Arizona State Retirement System (ASRS), a multiple-employer cost sharing defined benefit pension plan. The ASRS is administered in accordance with Title 38, Chapter 5, of the Arizona Revised Statutes.

b. Financial report

The Arizona State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. A report may be obtained by writing to ASRS, P.O. Box 33910, Phoenix, Arizona 85067-3910, or by calling 1-800-621-3778.

c. Funding policy

The Arizona Revised Statutes provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are

required to contribute at the same rate as employees. The Arizona State Legislature establishes and may amend a contribution rate other than the actuarially determined rate. For the year ended June 30, 2008, the Authority and active ASRS members were each required by statute to contribute at the actuarially determined rate of 9.1% (8.6% retirement and 0.5% long-term disability) of the annual covered payroll. The Authority's contributions from employer to ASRS for the fiscal years ending June 30, 2008 and 2007 were \$1,044,846 and \$859,573, respectively, which were equal to the required contributions for each fiscal year by the employer. Fiscal year ended June 30, 2007 was the first year that the Authority participated in the Arizona State Retirement System.

11. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As required by the Internal Revenue Code, the Authority established a trust for the assets and income of the Plan with an independent trustee for the exclusive benefit of participants and their beneficiaries. In accordance with Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the Authority does not account for or report the Deferred Compensation Plan in the financial records. The Plan is administered by ICMA Retirement Corporation, 777 North Capital Street, NE, Washington, D.C. 2002-4240.

12. Contractual and Other Commitments

a. Underground Storage Tank Revolving Fund Replenishment

In fiscal year 1994, the Arizona State Legislature allocated \$6,000,000 to the Authority from the Arizona Area A portion of the underground storage tank revolving fund. Beginning with the first fiscal year and in each subsequent fiscal year that the Authority is allocated at least \$2,000,000 from the Lottery, the amount allocated to the Authority will be reduced by a maximum of \$2,000,000 each fiscal year until a total of \$6,000,000 has been withheld to replenish the underground storage tank revolving fund. In the event the Authority does not receive at least \$2,000,000 from the Lottery in a given year, no amounts will be withheld from the respective year's allocation. The Authority received a Lottery distribution of \$1,760,759 in fiscal year 1998 which is the only year the Authority has received a Lottery distribution.

b. Commitments

The Authority has entered into various contracts for the administration and operation of transit services, travel demand management services, and regional transit planning. Commitments under these contracts exist only to the extent that services are requested or provided, and all contracts provide for cancellation without cause.

In addition, the Authority has entered into various contractual agreements to reimburse member cities for construction of the East and West Valley operating/maintenance

Valley Metro
Regional Public Transportation Authority

Notes to the Financial Statements (Continued)

Fiscal Year Ended June 30, 2008

facilities for bus services, bus stop improvements, Happy Valley Park and Ride, Scottsdale Loop 101 Park and Ride, Phoenix Camelback/19th Avenue Transit Center and ADA reimbursement contracts. At June 30, 2008, the Authority had outstanding contractual commitments for these services aggregating approximately \$21.3 million. These commitments have not been recorded in the accompanying financial statements because the member cities either had not incurred the related expenses or had not requested reimbursement for the related expenses. Only the currently payable portions of these contracts have been included in accounts payable in the accompanying financial statements.

13. Contingencies

As a subrecipient of federal and state grant monies, amounts passed through or receivable from other agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

On November 22, 2002, the Arizona State Treasurer's Office informed participants in the Local Government Investment Pool (LGIP) that it currently holds asset-backed securities administered by National Century Financial Enterprises (NCFE). These securities, which total \$131 million of the total \$4 billion in the LGIP, are backed by payments from Medicare/Medicaid and other creditworthy issuers. The Authority's proportional share of the \$131 million was \$223,150. Of the \$223,150, \$88,792 was invested on behalf of Valley Metro Rail, Inc. NCFE has filed bankruptcy and come under investigation by the Federal Bureau of Investigation and the Securities and Exchange Commission. The Authority has joined in a lawsuit with 93 other Arizona governmental entities and 90 other plaintiffs against several parties in an effort to recover the Authority's investment.

During the fiscal year ended June 30, 2008, the Authority received one relatively small distribution of payouts of funds being held by the Indenture Trustee for NCFE securities totaling \$2,267 plus interest on those amounts totaling \$56. Of the total \$2,323 received, \$929 was allocated to Valley Metro Rail, Inc. As of June 30, 2008, the balance was reduced to \$104,384. Of the \$104,384, \$41,529 was invested on behalf of Valley Metro Rail, Inc. At this point in time, it is impossible to determine the Authority's financial exposure, if any, due to the aforementioned events.

14. Related Party Transactions

As mentioned in Note 1 (a), the members of VMR's Board of Directors are also members of the fourteen-member Authority's Board of Directors. VMR contracts with the Authority for certain administrative functions, including personnel, administration, financial and accounting services, purchasing, and computer support services. All VMR staff is hired and employed by the Authority but work solely under the direction of the VMR and its Board of Directors, through a contractual agreement with the Authority. For the period ended June 30, 2008, VMR paid \$6,421,524 for services provided by the Authority.

15. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2008, no excess of expenditures over appropriations at the department level of budgetary control occurred.

16. Restatement

For the governmental funds only, the July 1, 2007 beginning fund balances totaling \$468,980 have been restated upward as a result of reclassification of the unpaid compensated absences, \$164,327 in the General Fund and \$304,653 in the Nonmajor Governmental funds, which were reported as current liabilities and expenditures prior to fiscal year 2008. See Note 1 (k) for revised accounting policy.

17. Subsequent Event

On September 15, 2008 the Arizona State Treasurer informed LGIP Pool 5 participants that it is splitting Pool 5 into two pools – Pool 5 and a temporary Pool 57. This is necessary because LGIP Pool 5 invested in three bonds issued by Lehman Brothers totaling \$39.45 million in senior unsecured debt. Lehman Brothers Holding Inc's filing for Chapter 11 bankruptcy reorganization caused the \$39.45 million investment valued on September 12, 2008, to be inaccessible. The \$39.45 million was transferred into Pool 57 until the court completes the reorganization or a reasonable price sale can be executed. The Authority's proportional share of the \$39.45 million is \$386,923 of which, \$58,567 was invested on behalf of Valley Metro Rail, Inc.

Other Supplementary Information

**Combining and Individual Fund
Financial Statements and Schedules**

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

- The Transit Planning Fund is used to account for the receipt and expenditure of U. S. Department of Transportation, Federal Transit Administration, Federal Transit Technical Studies grant monies, regional area road fund sales tax revenues and member cities local match restricted for various planning studies.
- The Transportation Demand Management Fund is used to account for the receipt and expenditure of various grant monies restricted for activities related to the countywide ridesharing program, trip reduction program and clean air campaign.
- The Regional Customer Services Fund accounts for activities related to marketing, customer services, Americans with Disabilities (ADA) compliance, contract maintenance and quality monitoring, and farebox data reporting for the region.
- The Capital and Other Grants Fund is used to account for the receipt and expenditure of state and federal grant revenues and expenditures not included in other special revenue funds.

**Valley Metro
Regional Public Transportation Authority**

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Assets	Transit Planning	Transportation Demand Management	Regional Customer Services	Capital and Other Grants	Total Nonmajor Governmental Funds
Receivables	\$ -	\$ 21,465	\$ -	\$ -	\$ 21,465
Due from other governments	43,941	993,315	3,161	-	1,040,417
Due from other funds	280,311	-	493,659	10,275	784,245
Other assets	-	2,596	-	-	2,596
Total assets	<u>\$ 324,252</u>	<u>\$ 1,017,376</u>	<u>\$ 496,820</u>	<u>\$ 10,275</u>	<u>\$ 1,848,723</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 220,316	\$ 388,433	\$ 238,625	\$ 10,275	\$ 857,649
Due to other funds	-	558,813	-	-	558,813
Due to other governments	-	-	-	-	-
Other liabilities	3,730	2,185	15,372	-	21,287
Total liabilities	<u>224,046</u>	<u>949,431</u>	<u>253,997</u>	<u>10,275</u>	<u>1,437,749</u>
Fund balances:					
Unreserved, designated	100,206	67,945	242,823	-	410,974
Unreserved, undesignated	-	-	-	-	-
Total fund balances	<u>100,206</u>	<u>67,945</u>	<u>242,823</u>	<u>-</u>	<u>410,974</u>
Total liabilities and fund balances	<u>\$ 324,252</u>	<u>\$ 1,017,376</u>	<u>\$ 496,820</u>	<u>\$ 10,275</u>	<u>\$ 1,848,723</u>

**Valley Metro
Regional Public Transportation Authority**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2008

	Transit Planning	Transportation Demand Management	Regional Customer Services	Capital and Other Grants	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental					
State and county grants	\$ -	\$ 379,687	\$ 43,200	\$ -	\$ 422,887
Federal Transit Administrator	268,661	-	-	-	268,661
CMAQ	-	1,287,054	-	-	1,287,054
Other federal grants	-	84,000	-	-	84,000
Miscellaneous	48,861	35,105	58,160	1,862	143,988
Total revenues	<u>317,522</u>	<u>1,785,846</u>	<u>101,360</u>	<u>1,862</u>	<u>2,206,590</u>
Expenditures:					
Current:					
Regional planning					
Long range	311,129	-	-	-	311,129
Short range	733,017	-	-	-	733,017
Capital	222,439	-	-	-	222,439
Program support	1,104,198	-	-	-	1,104,198
Transportation demand management					
Trip reduction	-	816,128	-	-	816,128
Ridesharing	-	601,220	-	-	601,220
Other programs	-	370,142	-	-	370,142
Regional customer services					
Marketing	-	-	3,084,872	-	3,084,872
Call center	-	-	3,563,629	-	3,563,629
Other programs	-	-	1,380,563	-	1,380,563
Capital outlay	-	-	398,885	679,824	1,078,709
Total expenditures	<u>2,370,783</u>	<u>1,787,490</u>	<u>8,427,949</u>	<u>679,824</u>	<u>13,266,046</u>
Deficiency of revenues: under expenditure:	<u>(2,053,261)</u>	<u>(1,644)</u>	<u>(8,326,589)</u>	<u>(677,962)</u>	<u>(11,059,456)</u>
Other financing sources:					
Transfers in:					
General fund	1,539,723	-	-	677,962	2,217,685
Public transportation fund	533,031	-	8,415,061	-	8,948,092
Total other financing sources	<u>2,072,754</u>	<u>-</u>	<u>8,415,061</u>	<u>677,962</u>	<u>11,165,777</u>
Net change in fund balances	19,493	(1,644)	88,472	-	106,321
Fund balance, beginning	-	-	-	-	-
Restatement	80,713	69,589	154,351	-	304,653
Fund balance, beginning, as restated	<u>80,713</u>	<u>69,589</u>	<u>154,351</u>	<u>-</u>	<u>304,653</u>
Fund balance, ending	<u>\$ 100,206</u>	<u>\$ 67,945</u>	<u>\$ 242,823</u>	<u>\$ -</u>	<u>\$ 410,974</u>



***Regional
Public
Transportation
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**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Transit Planning Fund
Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Federal Transit Administration	\$ 1,352,274	\$ 1,177,934	\$ 268,661	\$ (909,273)
Miscellaneous	310,898	416,576	48,861	(367,715)
Total revenues	<u>1,663,172</u>	<u>1,594,510</u>	<u>317,522</u>	<u>(1,276,988)</u>
Expenditures:				
Current:				
Long range	618,850	618,850	311,129	(307,721)
Short range	1,962,335	1,178,155	733,017	(445,138)
Capital	391,335	391,335	222,439	(168,896)
Program support	2,236,753	2,350,172	1,104,198	(1,245,974)
Total expenditures	<u>5,209,273</u>	<u>4,538,512</u>	<u>2,370,783</u>	<u>(2,167,729)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,546,101)</u>	<u>(2,944,002)</u>	<u>(2,053,261)</u>	<u>890,741</u>
Transfers in:				
General fund	1,761,439	1,731,251	1,539,723	(191,528)
Public transportation fund	1,784,662	1,212,751	533,031	(679,720)
Total transfers in	<u>3,546,101</u>	<u>2,944,002</u>	<u>2,072,754</u>	<u>(871,248)</u>
Net change in fund balance	-	-	19,493	19,493
Fund balance, beginning	-	-	-	-
Restatement	-	-	80,713	80,713
Fund balance, beginning, as restated	<u>-</u>	<u>-</u>	<u>80,713</u>	<u>80,713</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,206</u>	<u>\$ 100,206</u>

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Transportation Demand Management Fund
Fiscal Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State grants	\$ 435,000	\$ 557,760	\$ 379,687	\$ (178,073)
Intergovernmental:				
CMAQ	1,503,000	1,468,000	1,287,054	(180,946)
Other federal grants	42,000	42,000	84,000	42,000
Miscellaneous	-	-	35,105	35,105
Total revenues	<u>1,980,000</u>	<u>2,067,760</u>	<u>1,785,846</u>	<u>(281,914)</u>
Expenditures:				
Current:				
Trip reduction	912,000	842,000	816,128	(25,872)
Ridesharing	594,000	594,000	601,220	7,220
Other programs	474,000	631,760	370,142	(261,618)
Total expenditures	<u>1,980,000</u>	<u>2,067,760</u>	<u>1,787,490</u>	<u>(280,270)</u>
Excess revenues over expenditures	-	-	(1,644)	(1,644)
Fund balance, beginning	-	-	-	-
Restatement			69,589	69,589
Fund balance, beginning, as restated	<u>-</u>	<u>-</u>	<u>69,589</u>	<u>69,589</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,945</u>	<u>\$ 67,945</u>

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Regional Customer Services Fund
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental:				
State and Local Grant	\$	\$ 43,200	\$ 43,200	\$ -
Miscellaneous	-	-	58,160	58,160
Total revenues	-	43,200	101,360	58,160
Expenditures:				
Current:				
Regional marketing	3,066,743	3,109,943	3,084,872	(25,071)
Regional call center	3,585,983	3,585,983	3,563,629	(22,354)
Other programs	1,729,959	1,729,959	1,380,563	(349,396)
Capital outlay	471,613	471,613	398,885	(72,728)
Total expenditures	8,854,298	8,897,498	8,427,949	(469,549)
Deficiency of revenues under expenditures	(8,854,298)	(8,854,298)	(8,326,589)	527,709
Other financing sources:				
Transfers in	8,450,350	8,854,298	8,415,061	(439,237)
Total other financing sources	8,450,350	8,854,298	8,415,061	(439,237)
Net change in fund balance	(403,948)	-	88,472	88,472
Fund balance, beginning	-	-	-	-
Restatement	-	-	154,351	154,351
Fund balance, beginning, as restated	-	-	154,351	154,351
Fund balance, ending	\$ (403,948)	\$ -	\$ 242,823	\$ 242,823

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Capital and Other Grants Fund
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 1,862	\$ 1,862
Total revenues	-	-	1,862	1,862
Expenditures:				
Capital outlay	1,568,200	720,000	679,824	(40,176)
Total expenditures	1,568,200	720,000	679,824	(40,176)
Excess (deficiency) of revenues over (under) expenditures	(1,568,200)	(720,000)	(677,962)	42,038
Transfers in:				
General fund	1,568,200	720,000	677,962	(42,038)
Net change in fund balance	-	-	-	-
Budgetary fund balance, beginning	-	-	-	-
Budgetary fund balance, ending	\$ -	\$ -	\$ -	\$ -



***Regional
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**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenses and Changes in Net Assets - Budget to Actual
Transit Service Operations Fund
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Operating Revenues:				
Charges for services	\$ 23,694,829	\$ 24,063,007	\$ 22,749,063	\$ (1,313,944)
Miscellaneous	-	-	30,423	30,423
Total operating revenues	<u>23,694,829</u>	<u>24,063,007</u>	<u>22,779,486</u>	<u>(1,283,521)</u>
Operating Expenses:				
Local & express bus service	40,679,276	40,984,148	43,341,102	2,356,954
Paratransit service	8,507,814	8,282,951	9,131,300	848,349
Vanpool service	777,314	1,247,314	770,227	(477,087)
Safety and security	1,357,501	788,247	470,044	(318,203)
Administrative and general	47,851	47,851	48,470	619
Contingency	7,889,948	1,000,000	-	(1,000,000)
Capital outlay	44,525,374	35,866,457	32,004,792	(3,861,665)
Total operating expenses	<u>103,785,078</u>	<u>88,216,968</u>	<u>85,765,935</u>	<u>(2,451,033)</u>
Operating income (loss)	<u>(80,090,249)</u>	<u>(64,153,961)</u>	<u>(62,986,449)</u>	<u>1,167,512</u>
Non-Operating Revenues (Expenses):				
Lead agency disbursements	(44,980,237)	(32,924,678)	(34,597,490)	(1,672,812)
State Grants	14,500	14,500	-	(14,500)
Federal Transit Administration grants	31,461,399	23,992,322	16,501,060	(7,491,262)
IRS fuel tax credit	-	-	1,147,487	1,147,487
Proceeds from disposition of assets	-	-	496,852	496,852
Miscellaneous	-	-	163,298	163,298
Total nonoperating revenues (expenses)	<u>(13,504,338)</u>	<u>(8,917,856)</u>	<u>(16,288,793)</u>	<u>(7,370,937)</u>
Income (loss) before transfers	<u>(93,594,587)</u>	<u>(73,071,817)</u>	<u>(79,275,242)</u>	<u>(6,203,425)</u>
Transfers in	68,888,426	78,141,141	79,859,060	1,717,919
Excess revenues over expenses - budgetary basis	<u>\$ (24,706,161)</u>	<u>\$ 5,069,324</u>	<u>\$ 583,818</u>	<u>\$ (4,485,506)</u>

Explanation of differences between budgetary basis and GAAP basis

Excess revenues over expenses - budgetary basis	\$ 583,818
Capital outlay is an expense for budgetary purposes, but assets are capitalized and are not an expense for GAAP purposes	32,004,792
Contributed capital is not a budgeted revenue, but is revenue for GAAP purposes	1,157,839
Depreciation is not a budgeted expense, but is an expense for GAAP purposes	(8,438,269)
Proceeds from disposition of assets increase financial resources for budgetary basis, but is not a revenue for GAAP basis	(496,852)
The gain on disposal of capital assets is not a budgeted expense, but is a revenue for GAAP purposes	<u>346,999</u>
Changes in net assets per the statement of revenues, expenses and changes in fund net assets	<u>\$ 25,158,327</u>

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

**Valley Metro
Regional Public Transportation Authority**

Schedule of Revenues, Expenses and Changes in Net Assets - Budget to Actual

Valley Metro Rail Fund

Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (budgetary basis)	Variance with Final Budget Over (Under)
	Original	Final		
Operating Revenues:				
Charges for services				
Total operating revenues	\$ 7,519,323	\$ 7,519,323	\$ 6,421,524	\$ (1,097,799)
	<u>7,519,323</u>	<u>7,519,323</u>	<u>6,421,524</u>	<u>(1,097,799)</u>
Operating Expenses:				
Light rail staff and administration	7,519,323	7,519,323	6,421,524	(1,097,799)
Total operating expenses	<u>7,519,323</u>	<u>7,519,323</u>	<u>6,421,524</u>	<u>(1,097,799)</u>
Operating income (loss)	-	-	-	-
Non-Operating Revenues (Expenses):				
Lead agency disbursements	(60,776,560)	(56,409,320)	(55,320,060)	1,089,260
Interest income	-	-	536,116	536,116
Total nonoperating revenues (expenses)	<u>(60,776,560)</u>	<u>(56,409,320)</u>	<u>(54,783,944)</u>	<u>1,625,376</u>
Income (loss) before transfers	(60,776,560)	(56,409,320)	(54,783,944)	1,625,376
Transfers in:				
General fund	500,000	500,000	500,000	-
Transfers from public transportation fund	60,276,560	55,909,320	54,622,329	(1,286,991)
Total transfers in	<u>60,776,560</u>	<u>56,409,320</u>	<u>55,122,329</u>	<u>(1,286,991)</u>
Excess revenues over expenses - budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,385</u>	<u>\$ 338,385</u>

Explanation of differences between budgetary basis and GAAP basis

Excess revenues over expenses - budgetary basis \$ 338,385

Under the GAAP basis, expenses and liabilities for the lead agency disbursements are reported regardless of when financial resources are used. However, for budgetary purposes, these expenditures are not recognized as the transactions are not paid with expendable available financial resources:

(3,501,782)

Changes in net assets per the statement of revenues, expenses and
and changes in fund net assets

\$ (3,163,397)

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

Statistical Section

The Statistical Section includes selected financial and demographic information regarding the Authority.

Statistical Section

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Authority's most significant local revenue source, the sales tax.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Authority implemented GASB Statement No. 34 in FY 2001-2002; schedules presenting government-wide information include information beginning in that year.

Valley Metro
Regional Public Transportation Authority
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 152,674	\$ 175,418	\$ 199,619	\$ 161,090	\$ 249,177	\$ 1,362,413	\$ 1,467,040
Restricted	-	-	-	-	-	-	-
Unrestricted	2,303,561	2,303,561	3,300,859	3,300,859	12,224,193	42,677,444	28,106,773
Total governmental activities net asset	<u>\$ 2,456,235</u>	<u>\$ 2,478,979</u>	<u>\$ 3,500,478</u>	<u>\$ 3,461,949</u>	<u>\$ 12,473,370</u>	<u>\$ 44,039,857</u>	<u>\$ 29,573,813</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 17,034,467	\$ 14,186,807	\$ 11,497,494	\$ 12,283,769	\$ 27,042,048	\$ 47,945,807	\$ 72,537,461
Restricted	726,021	1,116,356	1,559,108	1,827,192	5,301,289	1,778,889	2,332,524
Unrestricted	12,075	943,423	1,250,277	1,299,780	17,159,298	21,142,003	17,991,644
Total business-type activities net assets	<u>\$ 17,772,563</u>	<u>\$ 16,246,586</u>	<u>\$ 14,306,879</u>	<u>\$ 15,410,741</u>	<u>\$ 49,502,635</u>	<u>\$ 70,866,699</u>	<u>\$ 92,861,629</u>
Primary government							
Invested in capital assets, net of related debt	\$ 17,187,141	\$ 14,362,225	\$ 11,697,113	\$ 12,444,859	\$ 27,291,225	\$ 49,308,220	\$ 74,004,501
Restricted	726,021	1,116,356	1,559,108	1,827,192	5,301,289	1,778,889	2,332,524
Unrestricted	2,315,636	3,246,984	4,551,136	4,600,639	29,383,491	63,819,447	46,098,417
Total primary government net assets	<u>\$ 20,228,798</u>	<u>\$ 18,725,565</u>	<u>\$ 17,807,357</u>	<u>\$ 18,872,690</u>	<u>\$ 61,976,005</u>	<u>\$ 114,906,556</u>	<u>\$ 122,435,442</u>

**Valley Metro
Regional Public Transportation Authority**

Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>
Expenses							
Governmental activities:							
Regional planning:							
Long range planning	\$ 212,391	\$ 367,279	\$ 167,057	\$ 162,287	\$ 187,496	\$ 403,337	\$ 316,147
Short range planning	256,925	274,302	242,945	145,690	322,430	558,664	735,888
Capital planning	307,518	118,161	163,818	236,219	197,256	164,722	224,767
Program support	29,746	43,722	53,199	171,169	534,285	1,298,591	1,113,474
Transportation demand management:							
Trip reduction	853,216	820,699	784,056	931,196	865,290	719,854	819,553
Ridesharing	608,955	589,798	656,311	514,977	645,052	594,549	592,460
Other programs	497,885	294,016	267,869	486,102	326,903	385,257	373,833
Regional customer services:							
Marketing	-	-	-	-	-	2,578,094	3,110,366
Call center	-	-	-	-	-	3,087,948	3,599,018
Other programs	-	-	-	-	-	1,623,744	1,857,934
Administration:							
Executive director's office	262,172	226,215	238,134	400,777	514,158	1,712,451	1,033,066
Communications & government relations	162,556	207,283	247,948	161,979	207,304	-	-
Finance & management services	87,255	91,684	106,305	293,648	549,635	260,965	908,275
Community funded transportation	1,000,000	51,652	51,652	51,652	-	715,001	-
Capital outlay	134,200	94,589	90,972	180,099	-	-	-
Total governmental activities expenses	<u>4,412,819</u>	<u>3,179,400</u>	<u>3,070,266</u>	<u>3,735,795</u>	<u>4,349,809</u>	<u>14,103,177</u>	<u>14,684,781</u>
Business-type activities:							
Transit service operations	28,475,928	30,011,849	30,650,723	34,834,292	38,578,007	60,090,164	96,796,902
Regional customer services	5,010,019	4,229,972	4,710,645	5,123,118	5,767,760	-	-
Light rail transit	16,765,586	5,033,179	2,982,701	3,667,400	16,909,968	63,225,727	65,243,366
Total business-type activities expenses	<u>50,251,533</u>	<u>39,275,000</u>	<u>38,344,069</u>	<u>43,624,810</u>	<u>61,255,735</u>	<u>123,315,891</u>	<u>162,040,268</u>
Total primary government expenses	<u>\$ 54,664,352</u>	<u>\$ 42,454,400</u>	<u>\$ 41,414,335</u>	<u>\$ 47,360,605</u>	<u>\$ 65,605,544</u>	<u>\$ 137,419,068</u>	<u>\$ 176,725,049</u>

(Continued)

Valley Metro
Regional Public Transportation Authority
Changes in Net Assets (Continued)
Last Seven Fiscal Years
(accrual basis of accounting)

	FY 2001/02	FY 2002/03	FY 2003/04	FY 2004/05	FY 2005/06	FY 2006/07	FY 2007/08
Program revenues							
Governmental activities:							
Charges for services	\$ -	\$ 3,370	\$ 32,501	\$ 49,642	\$ 75,295	\$ 25,046	\$ -
Operating grants and contributions	2,486,448	2,259,396	1,949,879	2,288,916	2,358,485	2,494,611	2,062,602
Capital grants and contributions	122,392	94,488	92,140	172,438	48,382	198,777	-
Total governmental activities program revenues	<u>2,608,840</u>	<u>2,357,254</u>	<u>2,074,520</u>	<u>2,510,996</u>	<u>2,482,162</u>	<u>2,718,434</u>	<u>2,062,602</u>
Business-type activities:							
Charges for services							
Transit service operations:							
Local & express bus service	\$ 11,474,892	\$ 14,423,963	\$ 15,487,044	\$ 18,135,892	\$ 18,963,733	\$ 20,131,861	\$ 19,861,844
Paratransit service	4,603,962	4,623,029	4,640,901	5,344,925	4,075,963	2,118,843	2,043,104
Vanpool service	319,875	594,796	534,764	526,891	692,342	685,743	844,115
Other activities	53,288	56,957	70,001	49,550	182,809	36,729	-
Regional customer services	4,683,109	3,997,064	4,378,852	4,962,128	3,376,143	-	-
Light rail transit	5,323,908	2,569,035	2,982,701	3,667,400	5,209,939	5,565,540	6,421,524
Operating grants and contributions	13,324,905	4,108,637	1,834,067	5,140,813	1,186,038	642,313	1,421,891
Capital grants and contributions	5,374,355	609,542	820,223	387,845	17,286,134	19,041,093	16,237,008
Total business-type activities program revenues	<u>45,158,294</u>	<u>30,983,023</u>	<u>30,748,553</u>	<u>38,215,444</u>	<u>50,973,101</u>	<u>48,222,122</u>	<u>46,829,486</u>
Total primary government program revenues	<u>\$ 47,767,134</u>	<u>\$ 33,340,277</u>	<u>\$ 32,823,073</u>	<u>\$ 40,726,440</u>	<u>\$ 53,455,263</u>	<u>\$ 50,940,556</u>	<u>\$ 48,892,088</u>
Net (Expense)/Revenue							
Governmental activities	\$ (1,803,979)	\$ (822,146)	\$ (995,746)	\$ (1,224,799)	\$ (1,867,647)	\$ (11,384,743)	\$ (12,622,179)
Business-type activities	(5,093,239)	(8,291,977)	(7,595,516)	(5,409,366)	(10,282,634)	(75,093,769)	(115,210,782)
Total primary government net expense	<u>\$ (6,897,218)</u>	<u>\$ (9,114,123)</u>	<u>\$ (8,591,262)</u>	<u>\$ (6,634,165)</u>	<u>\$ (12,150,281)</u>	<u>\$ (86,478,512)</u>	<u>\$ (127,832,961)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Sales taxes	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022	\$ 55,084,706	\$ 134,235,260	\$ 130,490,779
Interest earnings	167,272	64,528	83,977	103,981	124,312	1,664,357	2,503,935
Other income	-	21,603	966	1,047	-	-	142,810
Transfers in (out)	(789,672)	(1,828,543)	(1,139,423)	-	(44,329,950)	(92,948,387)	(134,981,389)
Total governmental activities	<u>1,318,768</u>	<u>844,890</u>	<u>2,017,245</u>	<u>1,259,050</u>	<u>10,879,068</u>	<u>42,951,230</u>	<u>(1,843,865)</u>
Business-type activities:							
Sales taxes	5,400,322	4,914,755	4,516,066	6,559,344	-	-	-
Interest earnings	45,490	22,702	320	2,774	44,578	945,155	536,116
Other income	16,775	-	-	-	-	2,564,291	1,688,207
Transfers in (out)	789,672	1,828,543	1,139,423	-	44,329,950	92,948,387	134,981,389
Total business-type activities:	<u>6,252,259</u>	<u>6,766,000</u>	<u>5,655,809</u>	<u>6,562,118</u>	<u>44,374,528</u>	<u>96,457,833</u>	<u>137,205,712</u>
Total primary government	<u>\$ 7,571,027</u>	<u>\$ 7,610,890</u>	<u>\$ 7,673,054</u>	<u>\$ 7,821,168</u>	<u>\$ 55,253,596</u>	<u>\$ 139,409,063</u>	<u>\$ 135,361,847</u>
Change in net assets:							
Governmental activities	\$ (485,211)	\$ 22,744	\$ 1,021,499	\$ 34,251	\$ 9,011,421	\$ 31,566,487	\$ (14,466,044)
Business-type activities	1,159,020	(1,525,977)	(1,939,707)	1,152,752	34,091,894	21,364,064	21,994,930
Total primary government net expense	<u>\$ 673,809</u>	<u>\$ (1,503,233)</u>	<u>\$ (918,208)</u>	<u>\$ 1,187,003</u>	<u>\$ 43,103,315</u>	<u>\$ 52,930,551</u>	<u>\$ 7,528,886</u>

Valley Metro
Regional Public Transportation Authority
Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>
General fund:							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated	238,405	318,191	384,887	350,173	649,225	1,002,229	233,480
Unreserved, undesignated	2,065,156	1,985,370	2,915,972	2,950,686	1,638,892	1,433,788	2,888,105
Total general fund	<u>\$ 2,303,561</u>	<u>\$ 2,303,561</u>	<u>\$ 3,300,859</u>	<u>\$ 3,300,859</u>	<u>\$ 2,288,117</u>	<u>\$ 2,436,017</u>	<u>\$ 3,121,585</u>
All other governmental funds:							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designed, reported in Special revenue funds	-	-	-	-	-	21,059,001	410,974
Unreserved, undesignated, reported in Special revenue funds	-	-	-	-	9,936,076	19,182,426	25,218,669
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,936,076</u>	<u>\$ 40,241,427</u>	<u>\$ 25,629,643</u>

Valley Metro
Regional Public Transportation Authority
Changes in Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)

	<u>FY 2001/02</u>	<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>
Revenues							
Sales taxes	\$ 1,941,168	\$ 2,587,302	\$ 3,071,725	\$ 1,154,022	\$ 55,084,706	\$ 134,235,260	\$ 130,490,779
Intergovernmental:							
State & county grants	409,000	400,000	400,000	400,000	400,000	400,000	422,887
Federal Transit Administration	553,492	599,460	335,365	526,176	569,622	993,727	268,661
CMAQ	1,604,348	1,312,424	1,264,654	1,493,178	1,395,577	1,298,056	1,287,054
Other federal grants	42,000	42,000	42,000	42,000	41,668	1,604	84,000
Charges for services	-	3,370	32,501	49,642	75,295	25,046	-
Interest earnings	167,272	64,528	83,977	103,981	124,312	1,664,357	2,503,935
Other	-	21,603	966	1,047	-	-	144,672
Total revenues	<u>4,717,280</u>	<u>5,030,687</u>	<u>5,231,188</u>	<u>3,770,046</u>	<u>57,691,180</u>	<u>138,618,050</u>	<u>135,201,988</u>
Expenditures							
Governmental activities:							
Regional planning:							
Long range planning	212,391	367,279	167,057	162,287	187,496	403,337	311,129
Short range planning	256,925	274,302	242,945	145,690	322,430	558,664	733,017
Capital planning	307,518	118,161	163,818	236,219	197,256	164,722	222,439
Program support	29,746	43,722	53,199	171,169	534,285	1,298,591	1,104,198
Transportation demand management:							
Trip reduction	853,216	820,699	784,056	931,196	865,290	719,854	816,128
Ridesharing	608,955	589,798	656,311	514,977	645,052	594,549	601,220
Other programs	497,885	294,016	267,869	486,102	326,903	385,257	370,142
Regional customer services:							
Marketing	-	-	-	-	-	2,578,094	3,084,872
Call center	-	-	-	-	-	3,087,948	3,563,629
Other programs	-	-	-	-	-	1,511,164	1,380,563
Administration:							
Executive director's office	262,172	226,215	238,134	400,777	514,158	1,712,451	1,030,804
Communications & government relations	162,556	207,283	247,948	161,979	207,304	260,965	-
Finance & management services	87,255	91,684	106,305	293,648	419,571	580,415	318,945
Community funded transportation	1,000,000	51,652	51,652	51,652	-	-	-
Capital outlay	153,369	117,333	115,173	214,350	218,151	765,641	1,078,709
Total expenditures	<u>4,431,988</u>	<u>3,202,144</u>	<u>3,094,467</u>	<u>3,770,046</u>	<u>4,437,896</u>	<u>14,621,652</u>	<u>14,615,795</u>
Excess of revenues over expenditures	285,292	1,828,543	2,136,721	-	53,253,284	123,996,398	120,586,193
Other financing sources (uses)							
Transfers in	-	-	-	-	814,701	9,349,388	11,165,777
Transfers out	(789,672)	(1,828,543)	(1,139,423)	-	(45,144,651)	(102,892,535)	(146,147,166)
Total other financing sources (uses)	<u>(789,672)</u>	<u>(1,828,543)</u>	<u>(1,139,423)</u>	<u>-</u>	<u>(44,329,950)</u>	<u>(93,543,147)</u>	<u>(134,981,389)</u>
Net change in fund balances	<u>\$ (504,380)</u>	<u>\$ -</u>	<u>\$ 997,298</u>	<u>\$ -</u>	<u>\$ 8,923,334</u>	<u>\$ 30,453,251</u>	<u>\$ (14,395,196)</u>

Valley Metro
Regional Public Transportation Authority
Sales Tax Revenues by Component (1)
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>FY 1998/99</u>	<u>FY 1999/00</u>	<u>FY 2000/01</u>	<u>FY 2001/02</u>
Governmental activities				
Regional area road funds	\$ 7,019,772	\$ 7,090,674	\$ 7,193,836	\$ 1,941,168
Public transportation funds	-	-	-	-
Total governmental activities sales taxes	<u>\$ 7,019,772</u>	<u>\$ 7,090,674</u>	<u>\$ 7,193,836</u>	<u>\$ 1,941,168</u>
Business-type activities				
Regional area road funds	\$ -	\$ -	\$ -	\$ 5,400,322
Public transportation funds	-	-	-	-
Total business-type activities sales taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,400,322</u>
Primary government				
Regional area road funds	\$ 7,019,772	\$ 7,090,674	\$ 7,193,836	\$ 7,341,490
Public transportation funds	-	-	-	-
Total primary government sales taxes	<u>\$ 7,019,772</u>	<u>\$ 7,090,674</u>	<u>\$ 7,193,836</u>	<u>\$ 7,341,490</u>

(1) With the implementation of GASB Statement #34 in FY 2002, activities related to transit service operations, light rail transit and regional customer services were changed from general governmental to proprietary (business-type). Therefore, the functional expenditures listed for FY 2000/01 and earlier include the activities of these functions as part of general governmental, and the activities listed for FY 2001/02 and later exclude these activities from general governmental. As a result, most revenue categories will be greater for FY 2000/01 and prior years and should not be used as comparative data against FY 2001/02 activity and beyond.

(2) With the implementation of the Public Transportation sales tax in January 2006, several changes to sales tax distributions were made. The regional area road fund sales tax distribution was reduced to one-half of the amount distributed in prior years. The collections of sales taxes under the new statute are distributed 33.3% to the Authority on a monthly basis. During FY 2005/06, only six months of collections were reported.

(Continued)

<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06 (2)</u>	<u>FY 2006/07 (2)</u>	<u>FY 2007/08 (2)</u>
\$ 2,587,302	\$ 3,071,725	\$ 1,154,022	\$ 3,938,570	\$ 4,047,593	\$ 4,167,168
-	-	-	51,146,136	130,187,667	126,323,611
<u>\$ 2,587,302</u>	<u>\$ 3,071,725</u>	<u>\$ 1,154,022</u>	<u>\$ 55,084,706</u>	<u>\$ 134,235,260</u>	<u>\$ 130,490,779</u>
\$ 4,914,755	\$ 4,516,066	\$ 6,559,344	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ 4,914,755</u>	<u>\$ 4,516,066</u>	<u>\$ 6,559,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,502,057	\$ 7,587,791	\$ 7,713,366	\$ 3,938,570	\$ 4,047,593	\$ 4,167,168
-	-	-	51,146,136	130,187,667	126,323,611
<u>\$ 7,502,057</u>	<u>\$ 7,587,791</u>	<u>\$ 7,713,366</u>	<u>\$ 55,084,706</u>	<u>\$ 134,235,260</u>	<u>\$ 130,490,779</u>

Valley Metro
Regional Public Transportation Authority
 Maricopa County Transportation Excise Tax Revenue Distributions
 Last Ten Fiscal Years
 (in thousands)

	<u>FY 1998/99</u>	<u>FY 1999/00</u>	<u>FY 2000/01</u>	<u>FY 2001/02</u>
Regional area road funds				
Freeways	\$ 222,450	\$ 241,505	\$ 257,529	\$ 260,222
Regional Public Transportation Authority / Maricopa Association of Governments (1)	7,020	7,091	7,194	7,341
Arterial streets	-	-	-	-
Total regional area road fund distributions	<u>229,470</u>	<u>248,596</u>	<u>264,723</u>	<u>267,563</u>
Public transportation funds	-	-	-	-
Total Maricopa County transportation excise tax revenue distributions	<u>\$ 229,470</u>	<u>\$ 248,596</u>	<u>\$ 264,723</u>	<u>\$ 267,563</u>

Source: The Maricopa County Transportation Excise Tax Year-End Report for Fiscal Year 2008, dated July 2008, prepared by the Arizona Department of Transportation, Financial Management Services, Office of Financial Planning.

Note: The Maricopa County Transportation Excise Tax, often referred to as the "1/2 cent sales tax," is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. Under Proposition 300 (passed by the voters in 1985 becoming effective on January 1, 1986), the transportation excise tax revenues are deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account are the principal sources of funding for the Regional Freeway System in Maricopa County and the Regional Public Transportation Authority and are dedicated through December 31, 2005. In November 2004, Maricopa County's voters approved Proposition 400, Maricopa County Transportation Excise Tax, which became effective on January 1, 2006, and extends the 1/2 cent sales tax for another 20 years through December 31, 2025. The sales tax extension will be used for construction of new freeways, widening of existing freeways and highways, improvements to the arterial street system, regional bus service and high capacity transit services such as light rail. The collections of the Maricopa County Transportation Excise Tax are as follows: Freeways 56.2%, Public Transportation Fund 33.3%, and Arterial Streets 10.5%.

- (1) The Authority received a portion of the RARF excise tax funds for transit costs through December 31, 2005. On January 1, 2006 these funds are distributed evenly to the Authority and the Maricopa Association of Governments to be used for administrative and planning purposes per Proposition 400. These funds are netted from the Freeway funds.
- (2) Distributions are a mix of both Proposition 300 and Proposition 400 collections.

(Continued)

<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06 (2)</u>	<u>FY 2006/07 (2)</u>	<u>FY 2007/08</u>
\$ 261,219	\$ 281,012	\$ 309,092	\$ 292,487	\$ 213,119	\$ 205,576
7,502	7,588	7,713	7,877	8,095	8,334
-	-	-	16,127	41,050	39,832
<u>268,721</u>	<u>288,600</u>	<u>316,805</u>	<u>316,491</u>	<u>262,264</u>	<u>253,742</u>
-	-	-	51,146	130,188	126,324
<u>\$ 268,721</u>	<u>\$ 288,600</u>	<u>\$ 316,805</u>	<u>\$ 367,637</u>	<u>\$ 392,452</u>	<u>\$ 380,066</u>

**Valley Metro
Regional Public Transportation Authority**

Maricopa County Transportation Excise Tax Revenue Collections by Category
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Retail Sales	Contracting	Utilities	Restaurant and Bar	Rental Real Property	Rental Personal Property	Other	Total
1998/99	\$ 113,528	\$ 35,632	\$ 15,680	\$ 18,304	\$ 20,266	\$ 12,787	\$ 13,273	\$ 229,470
1999/00	124,428	37,384	16,437	20,005	22,080	13,434	14,828	248,596
2000/01	131,608	38,820	17,862	21,395	24,112	14,416	16,509	264,722
2001/02	131,393	41,218	18,432	21,748	24,529	13,928	16,315	267,563
2002/03	133,922	38,894	18,485	22,646	25,747	12,834	16,193	268,721
2003/04	144,817	43,524	19,980	24,807	27,163	12,631	15,678	288,600
2004/05	158,179	52,325	20,813	27,191	29,310	12,624	16,363	316,805
2005/06 (1)	182,378	64,822	23,600	30,656	32,949	13,923	19,309	367,637
2006/07 (1)	187,817	73,864	26,697	33,073	36,398	15,053	19,550	392,452
2007/08 (1)	177,845	66,046	28,630	33,021	38,605	15,111	20,808	380,066

Source: The Maricopa County Transportation Excise Tax Year-End Report for Fiscal Year 2006, dated August 2006, prepared by the Arizona Department of Transportation, Financial Management Services, Office of Financial Planning.

Note: The Maricopa County Transportation Excise Tax, often referred to as the "1/2 cent sales tax," is levied upon business activities in Maricopa County, including retail sales, contracting, utilities, rental of real and personal property, restaurant and bar receipts, and other activities. Under Proposition 300 (passed by the voters in 1985 becoming effective on January 1, 1986), the transportation excise tax revenues are deposited in the Maricopa County Regional Area Road Fund (RARF) which is administered by the Arizona Department of Transportation. The revenues deposited into the RARF account are the principal sources of funding for the Regional Freeway System in Maricopa County and the Regional Public Transportation Authority and are dedicated through December 31, 2005. In November 2004, Maricopa County's voters approved Proposition 400, Maricopa County Transportation Excise Tax, which became effective on January 1, 2006, and extends the 1/2 cent sales tax for another 20 years through December 31, 2025. The sales tax extension will be used for construction of new freeways, widening of existing freeways and highways, improvements to the arterial street system, regional bus service and high capacity transit services such as light rail. The collections of the Maricopa County Transportation Excise Tax are as follows: Freeways 56.2%, Public Transportation Fund 33.3%, and Arterial Streets 10.5%.

(1) Fiscal year collections are a mix of both Proposition 300 and Proposition 400 collections.

Revenue Category Definitions:

Retail Sales	Includes retail sales of automobiles, durable goods and other general merchandise, apparel, building materials, furniture and other tangible personal property. The tax on food was repealed in July 1980.
Contracting	Includes prime contracting and dealership of manufactured buildings and owner-builder operations.
Utilities	Includes producing and/or furnishing to consumers electricity, natural or artificial gas, and water.
Restaurant and Bar	Includes operations of restaurants and drinking establishments.
Rental of Real Property	Includes leasing or renting real property, hotels and motels.
Rental of Personal Property	Includes leasing or renting tangible personal property such as leased vehicles and construction equipment.
Other	Includes intrastate transportation of persons, freight or operations of property, intrastate telecommunication services, intrastate operation of pipelines for oil or natural or artificial gas, job printing, engraving, embossing and publication, publication of newspapers, magazines and other periodicals, operations of amusement places and miscellaneous other revenues.

Valley Metro
Regional Public Transportation Authority
Arizona Transaction Privilege Tax Excise Tax Rates by Category
Last Ten Fiscal Years

	<u>FY 1998/99</u>	<u>FY 1999/00</u>	<u>FY 2000/01</u>	<u>FY 2001/02</u>
Retail sales				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	49.5400%	50.0500%	49.7200%	49.1100%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Contracting				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	15.5000%	15.0400%	14.6600%	15.4000%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Rental of Real Property (including hotels and motels) (1)				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	9.2500%	8.8800%	9.1100%	9.1700%
Transaction Privilege Tax Rate	1.8200%	1.8200%	1.8200%	1.8200%
Transportation Excise Tax Rate	0.5120%	0.5120%	0.5120%	0.5120%
Restaurants and Bars				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	8.0000%	8.0500%	8.0800%	8.1300%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Utilities				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	6.8800%	6.6100%	6.7500%	6.8900%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Rental of Personal Property				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	5.4700%	5.4000%	5.4500%	5.2100%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Communications				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	3.2400%	3.4100%	3.7200%	3.7300%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Amusements				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	1.0900%	1.1400%	1.0800%	1.1200%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Publishing and Printing				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	0.9300%	0.8700%	0.7800%	0.7000%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Other				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	0.1100%	0.5500%	0.6500%	0.5600%
Transaction Privilege Tax Rate	5.0000%	5.0000%	5.0000%	5.0000%
Transportation Excise Tax Rate	0.5000%	0.5000%	0.5000%	0.5000%
Mining				
Percent of Total Maricopa County				
Transaction Privilege Tax Collections	0.0000%	0.0000%	0.0000%	0.0000%
Transaction Privilege Tax Rate	3.1250%	3.1250%	3.1250%	3.1250%
Transportation Excise Tax Rate	0.3125%	0.3125%	0.3125%	0.3125%

Source: The Maricopa County Transportation Excise Tax Year-End Report for the applicable fiscal year prepared by the Arizona Department of Transportation, Financial Management Services, Office of Financial Planning.

(1) In 1990 and 1993, legislation reduced the transaction privilege tax rate for real property rentals; however, for transportation excise tax purposes, the rate was retained at its prior level.

(Continued)

<u>FY 2002/03</u>	<u>FY 2003/04</u>	<u>FY 2004/05</u>	<u>FY 2005/06</u>	<u>FY 2006/07</u>	<u>FY 2007/08</u>
49.8400%	50.1800%	49.9300%	49.9300%	47.8600%	46.8000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
14.4700%	15.0800%	16.5200%	16.5200%	18.8200%	17.4000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
9.5800%	9.0500%	9.2500%	9.2500%	9.2700%	10.1000%
1.8200%	1.8200%	1.8200%	1.8200%	1.8200%	1.8200%
0.5120%	0.5120%	0.5120%	0.5120%	0.5120%	0.5120%
8.4300%	8.6000%	8.5800%	8.5800%	8.4300%	8.7000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
6.8800%	6.9200%	6.5700%	6.5700%	6.8000%	7.5000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
4.7800%	4.3800%	3.9800%	3.9800%	3.8400%	4.0000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
3.4500%	3.3400%	3.2000%	3.2000%	2.9300%	3.3000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
1.1100%	1.0600%	1.0500%	1.0500%	1.0600%	1.1000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.7000%	0.6300%	0.6100%	0.6100%	0.5300%	0.5000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.7600%	0.7600%	0.3100%	0.3100%	0.4600%	0.6000%
5.0000%	5.0000%	5.0000%	5.0000%	5.0000%	5.0000%
0.5000%	0.5000%	0.5000%	0.5000%	0.5000%	0.5000%
0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
3.1250%	3.1250%	3.1250%	3.1250%	3.1250%	3.1250%
0.3125%	0.3125%	0.3125%	0.3125%	0.3125%	0.3125%

Valley Metro
Regional Public Transportation Authority
Regional Population Statistics
Last Ten Fiscal Years

	<u>FY 1998/99 (1)</u>	<u>FY 1999/00 (1)</u>	<u>FY 2000/01 (2)</u>	<u>FY 2001/02 (1)</u>	<u>FY 2002/03 (1)</u>
Maricopa County	2,806,100	2,913,475	3,072,149	3,192,125	3,296,250
Avondale	28,650	32,270	35,883	40,445	47,610
Chandler	160,165	169,000	176,581	186,875	194,390
El Mirage	5,885	5,860	7,609	11,915	20,645
Gilbert	91,290	100,850	109,697	122,360	133,640
Glendale	196,820	208,095	218,812	224,970	227,495
Goodyear (3)	N/A	N/A	N/A	N/A	N/A
Mesa	361,895	374,560	396,375	414,075	427,550
Peoria	89,930	101,235	108,364	117,200	122,655
Phoenix	1,220,710	1,240,775	1,321,045	1,344,775	1,365,675
Queen Creek (3)	N/A	N/A	N/A	N/A	N/A
Scottsdale	195,495	204,660	202,705	209,960	214,090
Surprise (3)	N/A	N/A	30,848	38,400	45,125
Tempe	159,220	161,995	158,625	159,435	159,425

- (1) Source: Maricopa Association of Governments, Resident Population Estimates Documentation
- (2) Source: U.S. Census
- (3) Data for fiscal years prior to membership of the Authority was not available.

The Regional Public Transportation Authority ("Authority") was established in 1985 to develop a regional transit plan and to develop and operate a regional transit system in Maricopa County, Arizona. The Authority is governed by a fourteen-member Board of Directors consisting of a member of the Maricopa County Board of Supervisors, and the mayors (or their designees) of the cities of Avondale, Chandler, El Mirage, Glendale, Goodyear, Mesa, Peoria, Phoenix, Scottsdale, Surprise, Tempe, and the towns of Gilbert and Queen Creek. Any municipality in Maricopa County may join the Authority and have one elected official serve on the Board of Directors by committing a portion of its local transportation assistance funds to local public transportation.

State legislation designates that 100% of the proceeds received by participating municipalities with 300,000 or more in population from the Arizona State Lottery, known as local transportation assistance funds, must be expended for public transportation in the respective municipalities to maintain a position on the Authority's Board of Directors. For all other municipalities, the requirement is 33.3% for cities with a population between 60,000 and 300,000 and 75% for cities with less than 60,000 population. Local transportation assistance funds ("LTAF") and minimum public transportation expenditures for participating municipalities for the last ten years are on the LTAF statistics table.

(Continued)

<u>FY 2003/04 (1)</u>	<u>FY 2004/05 (1)</u>	<u>FY 2005/06 (1)</u>	<u>FY 2006/07 (1)</u>	<u>FY 2007/08 (1)</u>
3,406,170	3,537,630	3,648,545	3,792,675	3,907,492
54,200	60,490	66,110	72,210	75,256
209,140	221,555	231,785	235,450	241,205
25,550	28,420	29,630	32,605	33,583
151,975	165,325	178,000	185,030	203,656
231,150	234,225	236,030	243,540	246,076
N/A	N/A	N/A	49,720	55,954
435,380	448,845	452,355	451,360	456,344
126,815	132,805	137,285	145,135	151,541
1,390,830	1,421,450	1,452,825	1,505,265	1,538,568
N/A	N/A	N/A	18,690	21,363
218,095	221,980	223,835	237,120	240,126
51,885	64,210	78,265	98,140	104,895
159,905	161,420	160,735	165,890	167,871

Valley Metro
Regional Public Transportation Authority
 Local Transportation Assistance Funds
 Last Ten Fiscal Years

	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>
Avondale				
Local transportation assistance funds received	\$ 164,641	\$ 175,624	\$ 190,883	\$ 203,685
Minimum local expenditures required	123,481	131,718	143,162	152,764
Percentage required	75.0%	75.0%	75.0%	75.0%
Chandler				
Local transportation assistance funds received	960,480	981,869	999,497	1,002,340
Minimum local expenditures required	320,160	327,290	333,166	334,113
Percentage required	33.3%	33.3%	33.3%	33.3%
El Mirage				
Local transportation assistance funds received	36,510	35,891	34,647	43,192
Minimum local expenditures required	27,383	26,918	25,985	32,394
Percentage required	75.0%	75.0%	75.0%	75.0%
Gilbert				
Local transportation assistance funds received	501,832	560,035	596,742	622,681
Minimum local expenditures required	167,277	186,678	198,914	207,560
Percentage required	33.3%	33.3%	33.3%	33.3%
Glendale				
Local transportation assistance funds received	1,209,213	1,206,502	1,230,349	1,242,059
Minimum local expenditures required	1,209,213	402,167	410,116	414,020
Percentage required	33.3%	33.3%	33.3%	33.3%
Goodyear (1)				
Local transportation assistance funds received	NA	NA	NA	NA
Minimum local expenditures required	NA	NA	NA	NA
Percentage required	NA	NA	NA	NA
Mesa				
Local transportation assistance funds received	2,218,130	2,220,982	2,216,247	2,249,873
Minimum local expenditures required	739,377	2,220,982	2,216,247	2,249,873
Percentage required	100.0%	100.0%	100.0%	100.0%
Peoria				
Local transportation assistance funds received	528,376	551,269	598,664	616,116
Minimum local expenditures required	176,125	183,756	199,555	205,372
Percentage required	33.3%	33.3%	33.3%	33.3%
Phoenix				
Local transportation assistance funds received	7,626,417	7,483,045	7,336,182	7,498,747
Minimum local expenditures required	7,626,417	7,483,045	7,336,182	7,498,747
Percentage required	100.0%	100.0%	100.0%	100.0%
Queen Creek (1)				
Local transportation assistance funds received	NA	NA	NA	NA
Minimum local expenditures required	NA	NA	NA	NA
Percentage required	NA	NA	NA	NA
Scottsdale				
Local transportation assistance funds received	1,180,771	1,198,380	1,210,039	1,150,630
Minimum local expenditures required	393,590	399,460	403,346	383,543
Percentage required	33.3%	33.3%	33.3%	33.3%
Surprise (1) (2)				
Local transportation assistance funds received	N/A	N/A	N/A	N/A
Minimum local expenditures required	N/A	N/A	N/A	N/A
Percentage required	N/A	N/A	N/A	N/A
Tempe				
Local transportation assistance funds received	1,000,596	976,015	957,785	800,415
Minimum local expenditures required	333,532	325,338	319,262	266,805
Percentage required	33.3%	33.3%	33.3%	33.3%

Source: State of Arizona, Office of the Treasurer

(1) Data for fiscal years prior to membership of the Authority was not available.

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(2) Percentages of proceeds designated for expenditures have been revised according to the reported population starting FY2004/2005

(Continued)

	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>
\$	220,818	\$ 252,589	\$ 277,421	\$ 299,299	\$ 317,127	\$ 331,478
	165,614	189,442	208,066	224,474	237,845	248,609
	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
	1,020,285	1,031,314	1,072,387	1,096,287	1,111,863	1,080,826
	340,095	343,771	357,462	365,064	370,250	359,915
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	65,053	109,530	130,312	140,622	142,134	149,672
	48,790	82,148	97,734	105,467	106,600	112,254
	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
	668,051	709,012	778,323	818,025	853,858	849,374
	222,684	236,337	259,441	272,402	284,335	282,842
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	1,228,273	1,206,948	1,186,391	1,158,998	1,132,226	1,117,962
	409,424	402,316	395,464	385,946	377,031	372,281
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	NA	NA	NA	NA	197,755	228,238
	NA	NA	NA	NA	148,316	171,179
	NA	NA	NA	NA	75.0%	75.0%
	2,260,734	2,268,317	2,233,853	2,220,987	2,169,928	2,071,953
	2,260,734	2,268,317	2,233,853	2,220,987	2,169,928	2,071,953
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	639,879	650,732	650,326	657,162	658,598	666,237
	213,293	216,911	216,775	218,835	219,313	221,857
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	7,342,097	7,245,430	7,138,976	7,033,839	6,969,140	6,909,870
	7,342,097	7,245,430	7,138,976	7,033,839	6,969,140	6,909,870
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	NA	NA	NA	NA	76,224	85,796
	NA	NA	NA	NA	57,168	64,347
	NA	NA	NA	NA	75.0%	75.0%
	1,146,323	1,135,830	1,119,229	1,098,399	1,073,727	1,088,492
	382,108	378,610	373,076	365,767	357,551	362,468
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%
	N/A	239,405	265,383	317,703	375,434	450,508
	N/A	179,554	88,373	105,795	125,019	150,019
	N/A	75.0%	33.3%	33.3%	33.3%	33.3%
	870,471	845,811	821,152	798,826	771,039	761,513
	290,157	281,937	273,717	266,009	256,756	253,584
	33.3%	33.3%	33.3%	33.3%	33.3%	33.3%

Valley Metro
Regional Public Transportation Authority
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1,2)	Income (1,2)	Per Capita Income (1,2)	Median Age (1,3)	School Enrollment (4)	Unemployment Rate (5)
2008	3,992,887	\$124,229,595	\$31,113	33.7	732,146	4.2%
2007	3,792,675	120,716,738	31,829	33.4	707,771	3.5%
2006	3,648,545	117,663,888	32,250	33.0	689,411	3.6%
2005	3,537,630	114,336,690	32,320	33.0	652,333	4.1%
2004	3,498,587	111,103,576	31,757	33.0	626,461	4.4%
2003	3,388,711	102,277,852	30,182	33.0	600,577	5.2%
2002	3,293,441	96,998,974	29,452	33.0	565,517	5.6%
2001	3,195,893	93,544,549	29,270	33.0	544,617	4.2%
2000	3,096,692	89,771,608	28,990	32.0	519,222	3.3%
1999	3,004,985	80,924,901	26,930	32.0	N/A	3.0%

(1) Calendar year

(2) Source: Arizona Workforce Informer, Labor Market Information, for Maricopa County
Population for fiscal years 2005, 2006 and 2008 are estimates from the Department of Economic Security
Personal income for fiscal years 2005 through 2008 were not available. The income amounts provided are estimates based on a 2.91% growth rate.

(3) For years through 2000, median age is based on the 1990 U.S. Census. For 2001 through 2008, median age is based on the 2000 U.S. Census.

(4) Source: Arizona Department of Education, Research and Evaluation Section. School enrollment is based on the census at the start of the school year.

(5) Maricopa County Labor Force and NonFarm Employment June 2008.

Valley Metro
Regional Public Transportation Authority
 Full-time Equivalent Employees (FTE) by Function/Program
 Last Ten Fiscal Years

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental activities:										
Regional planning	4.85	4.85	4.26	3.58	4.45	4.59	4.54	7.91	7.88	8.13
Transportation demand management	9.33	9.33	10.91	10.25	10.25	10.25	10.25	10.25	9.00	10.50
Regional customer services	-	-	-	-	-	4.72	4.67	4.20	71.50	74.60
Administration	8.00	8.00	7.90	7.80	7.90	7.90	8.90	14.75	20.10	22.20
Total governmental activities FTE	<u>22.18</u>	<u>22.18</u>	<u>23.07</u>	<u>21.63</u>	<u>22.60</u>	<u>27.46</u>	<u>28.36</u>	<u>37.11</u>	<u>108.48</u>	<u>115.43</u>
Business-type activities:										
Transit service operations	7.70	7.70	7.60	6.09	6.40	4.54	4.64	4.89	10.52	8.57
Light rail transit (1)	2.12	2.12	4.33	21.28	31.00	33.00	42.00	47.00	51.00	58.00
Total business-type activities FTE	<u>9.82</u>	<u>9.82</u>	<u>11.93</u>	<u>27.37</u>	<u>37.40</u>	<u>37.54</u>	<u>46.64</u>	<u>51.89</u>	<u>61.52</u>	<u>66.57</u>
Total primary government FTE	<u>32.00</u>	<u>32.00</u>	<u>35.00</u>	<u>49.00</u>	<u>60.00</u>	<u>65.00</u>	<u>75.00</u>	<u>89.00</u>	<u>170.00</u>	<u>182.00</u>

Source: Adopted Valley Metro Operating Budgets for the applicable years.

(1) Light rail transit staff report to the Valley Metro Rail, Inc. Board of Directors.

Valley Metro
Regional Public Transportation Authority
Operating Indicators by Program - Fixed Route System
Last Ten Fiscal Years

	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>
Fixed Route System (1)				
City of Phoenix Transit System				
Total boardings	32,113,786	30,656,284	31,897,150	34,642,732
Revenue miles	10,922,938	11,261,534	12,525,236	14,498,806
Revenue hours	748,623	756,527	801,069	941,752
Operating cost	\$ 50,700,937	\$ 54,726,226	\$ 65,946,654	\$ 76,314,996
Operating cost per boarding	\$ 1.58	\$ 1.79	\$ 2.07	\$ 2.20
Farebox recovery ratio	33.4%	35.3%	33.5%	25.5%
Regional Public Transportation Authority (2)				
Total boardings	3,978,393	4,266,198	4,179,015	4,979,305
Revenue miles	4,096,443	4,305,173	4,702,350	4,727,196
Revenue hours	290,119	311,975	320,533	321,379
Operating cost	\$ 11,531,961	\$ 12,618,457	\$ 15,585,768	\$ 17,271,336
Operating cost per boarding	\$ 2.90	\$ 2.96	\$ 3.73	\$ 3.47
Farebox recovery ratio	21.7%	22.1%	18.3%	16.3%
City of Tempe				
Total boardings	1,482,694	2,394,572	3,201,550	3,865,511
Revenue miles	1,178,837	2,350,597	3,302,089	3,730,509
Revenue hours	101,952	192,313	246,388	350,657
Operating cost	\$ 3,385,613	\$ 6,902,393	\$ 12,028,529	\$ 12,485,395
Operating cost per boarding	\$ 2.30	\$ 2.88	\$ 3.76	\$ 3.23
Farebox recovery ratio	11.6%	12.8%	13.9%	17.2%
City of Glendale - Luke Link				
Total boardings		50,530	35,978	36,404
Revenue miles		121,712	103,338	89,650
Revenue hours		8,069	5,530	3,876
Operating cost		\$ 249,717	\$ 245,369	\$ 136,565
Operating cost per boarding		\$ 4.94	\$ 6.82	\$ 3.75
Farebox recovery ratio		8.7%	10.1%	22.3%
Total fixed route system				
Total boardings	37,574,873	37,367,584	39,313,693	43,523,952
Revenue miles	16,198,218	18,039,016	20,633,013	23,046,161
Revenue hours	1,140,694	1,268,884	1,373,520	1,617,664
Operating cost	\$ 65,618,511	\$ 74,496,793	\$ 93,806,320	\$ 106,208,292
Operating cost per boarding	\$ 1.75	\$ 1.99	\$ 2.39	\$ 2.44
Farebox recovery ratio	30.2%	30.9%	28.4%	23.0%

Source: Reports prepared by the Regional Public Transportation Authority (RPTA):
Performance Management Analysis System for fiscal years 2001 through 2007.
Annual Transit Performance Report for FY2007/2008 dated 12-2-2008 pending RPTA Board approval.

- (1) Fixed route systems are comprised of various operators and contractors of service in Maricopa County; as the regional authority, the Regional Public Transportation Authority in its role compiles and reports on system efficiency and effectiveness performance indicators.
- (2) The Regional Public Transportation Authority statistics include the City of Mesa fixed route system and the City of Scottsdale fixed route system that were separately managed through fiscal year 2004 and fiscal year 2001, respectively.
- (3) Shuttle/Circulator System statistics were included in the Fixed Route System statistics through fiscal year 2000. See Operating Indicators by Program - Shuttle / Circulator System.
- (4) NA - City of Glendale did not run a fixed route in FY 2007/2008.

(Continued)

<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>
37,543,692	40,427,904	42,909,890	44,182,683	44,101,320	42,670,621
16,479,011	16,956,333	17,420,722	17,166,702	18,412,020	18,826,324
1,089,891	1,115,462	1,146,819	1,166,967	1,166,986	998,142
\$ 90,376,532	\$ 93,661,178	\$ 89,543,836	\$ 93,058,555	\$ 108,350,712	\$ 117,350,016
\$ 2.41	\$ 2.32	\$ 2.09	\$ 2.11	\$ 2.46	\$ 2.75
23.0%	24.8%	27.0%	26.6%	27.0%	27.5%
5,688,992	6,503,504	6,203,696	6,484,886	6,772,065	7,908,819
4,799,475	4,971,133	4,379,307	4,956,352	5,521,319	6,218,876
379,892	375,171	276,517	389,349	381,620	377,267
\$ 17,059,807	\$ 18,200,836	\$ 16,445,778	\$ 19,613,325	\$ 22,493,215	\$ 30,076,788
\$ 3.00	\$ 2.80	\$ 2.65	\$ 3.02	\$ 3.32	\$ 3.80
19.7%	18.3%	23.1%	20.7%	20.2%	18.1%
4,906,953	4,813,237	4,805,598	5,063,284	6,808,547	4,896,103
3,814,559	3,826,195	3,797,053	3,868,790	4,497,200	4,372,291
267,347	314,932	311,852	297,027	364,249	326,640
\$ 13,110,640	\$ 14,864,954	\$ 15,738,112	\$ 16,738,459	\$ 19,496,217	\$ 19,947,661
\$ 2.67	\$ 3.09	\$ 3.27	\$ 3.31	\$ 2.86	\$ 4.07
20.6%	18.2%	17.3%	17.9%	16.2%	16.6%
51,246	70,823	93,024	101,444	227,702	NA
106,326	131,400	139,789	142,109	252,413	NA
4,630	7,088	7,962	8,121	19,455	NA
\$ 163,768	\$ 228,160	\$ 218,243	\$ 232,802	\$ 435,099	NA
\$ 3.20	\$ 3.22	\$ 2.35	\$ 2.29	\$ 1.91	NA
30.5%	20.9%	26.8%	27.5%	227.5%	NA
48,190,883	51,815,468	54,012,208	55,832,297	57,909,634	55,475,543
25,199,371	25,885,061	25,736,871	26,133,953	28,682,952	29,417,491
1,741,760	1,812,653	1,743,150	1,861,464	1,932,310	1,702,049
\$ 120,710,747	\$ 126,955,128	\$ 121,945,969	\$ 129,643,141	\$ 150,775,243	\$ 167,374,465
\$ 2.50	\$ 2.45	\$ 2.26	\$ 2.32	\$ 4.32	\$ 3.02
22.3%	23.1%	25.2%	24.6%	224.6%	24.5%

Valley Metro
Regional Public Transportation Authority
Operating Indicators by Program - Dial-a-Ride System
Last Ten Fiscal Years

	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>
Dial-a-Ride System (1)				
Phoenix Dial-a-Ride				
Total boardings	175,195	179,094	237,886	270,493
Revenue miles	2,452,257	2,113,092	2,961,140	3,238,681
Revenue hours	157,024	140,909	191,525	230,951
Operating cost	\$ 4,309,829	\$ 4,733,615	\$ 6,909,752	\$ 9,462,730
Operating cost per boarding	\$ 24.60	\$ 26.43	\$ 29.05	\$ 34.98
Farebox recovery ratio	7.4%	7.2%	6.4%	5.2%
Phoenix Reserve-a-Ride				
Total boardings	173,572	221,991	203,616	193,986
Revenue miles	620,628	646,039	567,565	550,850
Revenue hours	45,408	53,846	50,909	51,559
Operating cost	\$ 1,890,985	\$ 2,289,621	\$ 2,442,020	\$ 2,589,906
Operating cost per boarding	\$ 10.89	\$ 10.31	\$ 11.99	\$ 13.35
Farebox recovery ratio	4.4%	3.2%	2.6%	3.3%
East Valley Dial-a-Ride				
Total boardings	260,951	258,880	266,624	252,441
Revenue miles	1,430,233	1,841,774	1,952,587	1,995,550
Revenue hours	108,216	115,478	115,673	116,884
Operating cost	\$ 3,052,064	\$ 4,423,962	\$ 4,524,032	\$ 4,772,217
Operating cost per boarding	\$ 11.70	\$ 17.09	\$ 16.97	\$ 18.90
Farebox recovery ratio	11.2%	7.7%	8.0%	7.6%
Maricopa County STS				
Total boardings	134,640	132,490	141,541	124,822
Revenue miles	791,449	818,046	634,593	455,897
Revenue hours	63,279	56,405	45,553	56,251
Operating cost	\$ 1,549,359	\$ 1,691,032	\$ 1,653,677	\$ 1,379,719
Operating cost per boarding	\$ 11.51	\$ 12.76	\$ 11.68	\$ 11.05
Farebox recovery ratio	5.5%	3.2%	4.3%	4.5%
Sun Cities Area Transit				
Total boardings	65,279	59,777	61,317	60,400
Revenue miles	228,163	219,408	222,535	218,313
Revenue hours	20,046	18,838	18,847	17,998
Operating cost	\$ 525,182	\$ 498,481	\$ 617,129	\$ 656,655
Operating cost per boarding	\$ 8.05	\$ 8.34	\$ 10.06	\$ 10.87
Farebox recovery ratio	28.4%	30.5%	25.3%	22.9%

Source: Reports prepared by the Regional Public Transportation Authority:
Performance Management Analysis System for fiscal years 2001 through 2007.
Annual Transit Performance Report for FY2007/2008 dated 12-2-2008 pending RPTA Board approval.

(1) Dial-a-ride systems are comprised of various operators and contractors of service in Maricopa County; as the regional authority, the Regional Public Transportation Authority in its role compiles and reports on system efficiency and effectiveness performance indicators.

NR Not reported

(Continued)

<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>
333,860	369,791	393,053	415,733	410,838	391,420
3,687,477	3,901,614	4,084,991	4,276,365	NA	4,806,031
255,922	262,372	274,099	285,137	287,882	292,601
\$ 10,385,900	\$ 11,150,114	\$ 12,375,324	\$ 12,452,214	\$ 13,655,624	\$ 14,759,075
\$ 31.11	\$ 30.15	\$ 31.49	\$ 29.95	\$ 33.24	\$ 37.71
4.9%	4.8%	4.0%	5.0%	4.7%	4.1%
162,760	153,697	152,631	NR	NR	NR
540,282	540,388	518,616	NR	NR	NR
47,155	50,754	47,282	NR	NR	NR
\$ 2,689,066	\$ 2,757,131	\$ 2,853,105	NR	NR	NR
\$ 16.52	\$ 17.94	\$ 18.69	NR	NR	NR
3.2%	3.1%	2.7%	NR	NR	NR
240,879	222,736	223,130	220,153	226,050	240,424
1,371,852	2,048,542	1,622,795	1,796,728	NA	NA
117,217	111,514	118,032	121,607	126,131	131,842
\$ 5,076,798	\$ 4,963,617	\$ 5,338,924	\$ 6,596,249	\$ 7,685,324	\$ 8,461,088
\$ 21.08	\$ 22.28	\$ 23.93	\$ 29.96	\$ 34.00	\$ 35.19
7.0%	6.5%	6.6%	5.2%	5.0%	4.6%
106,395	103,533	105,342	100,243	91,082	87,134
732,376	730,180	523,119	913,009	NA	NA
70,238	67,836	41,189	56,585	49,524	47,511
\$ 1,587,982	\$ 1,534,951	\$ 3,249,859	\$ 3,312,076	\$ 3,368,464	\$ 3,350,837
\$ 14.93	\$ 14.83	\$ 30.85	\$ 33.04	\$ 36.98	\$ 38.46
1.1%	1.0%	0.4%	0.3%	0.0%	0.0%
60,345	61,147	58,069	57,091	45,612	34,924
226,194	229,917	254,897	230,472	NA	NA
19,226	20,015	22,648	21,802	16,526	12,974
\$ 671,365	\$ 671,410	\$ 714,915	\$ 689,473	\$ 697,877	\$ 560,024
\$ 11.13	\$ 10.98	\$ 12.31	\$ 12.08	\$ 15.30	\$ 16.04
22.4%	22.7%	21.3%	23.5%	18.0%	22.0%

(Continued)

Valley Metro
Regional Public Transportation Authority
Operating Indicators by Program - Dial-a-Ride System (Continued)
Last Ten Fiscal Years

	<u>FY 1998/1999</u>	<u>FY 1999/2000</u>	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>
Dial-a-Ride System (1)				
Glendale Dial-a-Ride				
Total boardings	70,032	69,081	66,536	76,622
Revenue miles	274,698	280,529	281,461	316,961
Revenue hours	20,574	21,174	20,718	22,662
Operating cost	\$ 1,218,900	\$ 1,312,716	\$ 1,442,170	\$ 1,807,835
Operating cost per boarding	\$ 17.40	\$ 19.00	\$ 21.68	\$ 23.59
Farebox recovery ratio	6.2%	6.1%	5.4%	4.9%
Peoria Dial-a-Ride				
Total boardings	39,492	30,395	33,540	32,176
Revenue miles	294,828	125,632	169,360	196,224
Revenue hours	7,206	6,466	8,352	9,457
Operating cost	\$ 495,866	\$ 506,767	\$ 598,195	\$ 624,322
Operating cost per boarding	\$ 12.56	\$ 16.67	\$ 17.84	\$ 19.40
Farebox recovery ratio	9.4%	7.1%	6.1%	5.4%
El Mirage				
Total boardings	3,469	3,318	2,054	1,204
Revenue miles	9,154	9,820	12,698	6,020
Revenue hours	2,080	2,080	2,080	750
Operating cost	\$ 49,055	\$ 41,355	\$ 88,592	\$ 93,178
Operating cost per boarding	\$ 14.14	\$ 12.46	\$ 43.13	\$ 77.39
Farebox recovery ratio	4.5%	5.7%	1.7%	1.5%
Surprise Dial-a-Ride				
Total boardings	7,046	7,261	5,777	7,775
Revenue miles	38,742	40,772	38,834	45,800
Revenue hours	3,370	3,080	2,726	2,818
Operating cost	\$ 69,390	\$ 76,997	\$ 77,418	\$ 105,800
Operating cost per boarding	\$ 9.85	\$ 10.60	\$ 13.40	\$ 13.61
Farebox recovery ratio	9.7%	9.2%	8.5%	6.2%
Total Dial-a-Ride System				
Total boardings	929,676	962,287	1,018,891	1,019,919
Revenue miles	6,140,152	6,095,112	6,840,773	7,024,296
Revenue hours	427,203	418,276	456,383	509,330
Operating cost	\$ 13,160,630	\$ 15,574,546	\$ 18,352,985	\$ 21,492,362
Operating cost per boarding	\$ 14.16	\$ 16.18	\$ 18.01	\$ 21.07
Farebox recovery ratio	8.4%	7.0%	6.7%	6.0%

Source: Reports prepared by the Regional Public Transportation Authority:
Performance Management Analysis System for fiscal years 2001 through 2007.
Annual Transit Performance Report for FY2007/2008 dated 12-2-2008 pending RPTA Board approval.

- (1) Dial-a-ride systems are comprised of various operators and contractors of service in Maricopa County; as the regional authority, the Regional Public Transportation Authority in its role compiles and reports on system efficiency and effectiveness performance indicators.

NR Not reported

(Continued)

	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>
	81,768	86,132	87,831	89,055	84,132	88,638
	376,504	387,531	386,587	390,561	NA	NA
	25,782	26,252	29,554	29,594	29,448	30,642
\$	2,074,611	\$ 2,255,038	\$ 2,247,156	\$ 2,387,554	\$ 2,446,602	\$ 2,878,740
\$	25.37	\$ 26.18	\$ 25.58	\$ 26.81	\$ 29.08	\$ 32.48
	4.7%	4.7%	5.0%	4.6%	3.3%	3.8%
	30,399	29,258	33,805	42,560	45,790	40,122
	189,984	158,456	153,805	159,903	NA	NA
	9,276	7,920	8,258	9,975	12,663	14,875
\$	727,770	\$ 738,683	\$ 827,786	\$ 927,312	\$ 1,045,445	\$ 1,239,982
\$	23.94	\$ 25.25	\$ 24.49	\$ 21.79	\$ 22.83	\$ 30.91
	5.0%	4.5%	4.0%	5.1%	4.5%	3.2%
	1,103	1,061	1,558	1,466	1,947	1,131
	9,172	7,230	10,017	12,284	NA	NA
	1,834	NR	NR	1,613	1,820	1,764
\$	93,632	\$ 76,813	\$ 70,459	\$ 74,023	\$ 99,256	\$ 97,262
\$	84.89	\$ 72.40	\$ 45.22	\$ 50.49	\$ 50.98	\$ 86.00
	0.9%	1.0%	1.7%	2.0%	3.7%	2.3%
	7,094	7,387	8,181	12,578	17,339	20,075
	43,716	48,768	68,291	86,045	NA	NA
	3,881	4,891	5,016	6,554	8,037	8,698
\$	162,931	\$ 185,646	\$ 283,624	\$ 367,093	\$ 506,921	\$ 589,469
\$	22.97	\$ 25.13	\$ 34.67	\$ 29.19	\$ 29.24	\$ 29.36
	4.6%	4.3%	3.5%	3.5%	3.6%	3.7%
	1,024,603	1,034,742	1,063,600	938,879	922,790	903,868
	7,177,557	8,052,626	7,623,118	7,865,367	NA	NA
	550,531	551,554	546,078	532,887	532,031	540,907
\$	23,470,055	\$ 24,333,403	\$ 27,961,152	\$ 26,805,994	\$ 29,505,513	\$ 31,936,477
\$	22.91	\$ 23.52	\$ 26.29	\$ 28.55	\$ 31.97	\$ 35.33
	5.4%	5.2%	4.5%	4.9%	4.4%	4.1%

Valley Metro
Regional Public Transportation Authority
 Operating Indicators by Program - Shuttle / Circulator System
 Last Eight Fiscal Years

	<u>FY 2000/2001</u>	<u>FY 2001/2002</u>	<u>FY 2002/2003</u>	<u>FY 2003/2004</u>
Shuttle/Circulator System				
City of Phoenix				
Total boardings	154,226	437,421	770,348	747,351
Revenue miles	83,402	361,830	604,325	577,579
Revenue hours	9,184	26,505	40,480	37,636
Operating cost	\$ 354,932	\$ 1,058,452	\$ 1,619,238	\$ 1,435,044
Operating cost per boarding	\$ 2.30	\$ 2.42	\$ 2.10	\$ 1.92
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%
City of Tempe				
Total boardings	690,451	1,222,122	1,445,714	1,705,025
Revenue miles	449,658	601,509	441,587	487,780
Revenue hours	37,691	61,681	30,949	40,149
Operating cost	\$ 1,632,164	\$ 1,995,345	\$ 1,517,734	\$ 1,771,216
Operating cost per boarding	\$ 2.36	\$ 1.63	\$ 1.05	\$ 1.04
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%
City of Scottsdale				
Total boardings	56,046	42,456	49,498	52,599
Revenue miles	29,952	30,060	33,129	37,272
Revenue hours	5,028	4,676	4,683	6,185
Operating cost	\$ 277,700	\$ 290,066	\$ 308,684	\$ 377,726
Operating cost per boarding	\$ 4.95	\$ 6.83	\$ 6.24	\$ 7.18
Farebox recovery ratio	0.0%	0.0%	0.0%	0.0%
City of Glendale				
Total boardings	36,431	51,180	54,093	59,692
Revenue miles	55,758	66,784	78,895	93,794
Revenue hours	4,647	8,055	6,361	7,897
Operating cost	\$ 136,334	\$ 267,801	\$ 185,407	\$ 203,149
Operating cost per boarding	\$ 3.74	\$ 5.23	\$ 3.43	\$ 3.39
Farebox recovery ratio	4.8%	4.6%	5.7%	5.9%
Total Shuttle/Circulator System				
Total boardings	937,154	1,753,179	2,319,653	2,564,667
Revenue miles	618,770	1,060,183	1,157,936	1,196,425
Revenue hours	56,550	100,917	82,473	91,867
Operating cost	\$ 2,401,130	\$ 3,611,664	\$ 3,631,063	\$ 3,787,135
Operating cost per boarding	\$ 2.56	\$ 2.06	\$ 1.57	\$ 1.48
Farebox recovery ratio	N/A	N/A	N/A	N/A

Source: Reports prepared by the Regional Public Transportation Authority:
 Performance Management Analysis System for fiscal years 2001 through 2007.
 Annual Transit Performance Report for FY2007/2008 dated 12-2-2008 pending RPTA Board approval.

- (1) City of Phoenix - Alex, Dart, Dash, Deer Run, Durango Shuttle, Mart & Smart; prior to FY 07-08 included only Dash and Alex.
- (2) City of Tempe - FLASH, Orbit-Earth, Jupiter, Mars, Mercury, Neighborhood FLASH & Venus; prior to FY 07-08 included only Flash, Neighborhood Flash.
- (3) City of Scottsdale - Neighborhood Trolley and Downtown Trolley; prior to FY 07-08 included only Roundup.
- (4) City of Scottsdale did not track revenue miles.
- (5) City of Glendale - GUS 7 Luke Link

(Continued)

	<u>FY 2004/2005</u>	<u>FY 2005/2006</u>	<u>FY 2006/2007</u>	<u>FY 2007/2008</u>
	794,945	766,676	735,941	1,799,974
	601,547	580,884	580,080	1,614,317
	38,156	36,923	36,710	79,529
\$	2,386,820	\$ 1,812,780	\$ 1,889,393	\$ 7,173,722
\$	3.00	\$ 2.36	\$ 2.57	\$ 3.99
	0.0%	0.0%	0.0%	0.1%
	1,999,795	2,034,656	1,616,729	2,456,646
	475,609	479,595	482,538	1,613,904
	39,831	48,794	52,379	150,171
\$	1,835,387	\$ 1,954,659	\$ 2,091,895	\$ 6,833,012
\$	0.92	\$ 0.96	\$ 1.29	\$ 2.78
	0.0%	0.0%	0.0%	0.0%
	92,139	125,435	274,961	384,000
	57,696	80,489	219,861	0
	8,167	14,025	33,828	48,240
\$	547,764	\$ 953,477	\$ 1,887,546	\$ 2,400,000
\$	5.94	\$ 7.60	\$ 6.86	\$ 6.25
	0.0%	0.0%	0.0%	0.0%
	82,569	96,258	97,681	110,941
	100,295	96,838	NR	110,005
	8,301	7,969	NR	8,858
\$	144,934	\$ 158,442	NR	\$176,574
\$	1.76	\$ 1.65	NR	\$ 1.59
	11.0%	10.3%	NR	16.25%
	2,969,448	3,023,025	2,725,312	4,751,561
	1,235,147	1,237,806	1,282,479	3,338,226
	94,455	107,711	122,917	286,798
\$	4,914,905	\$ 4,879,358	\$5,868,834	\$16,583,308
\$	4.20	\$ 1.61	\$ 2.15	\$ 3.49
	N/A	N/A	N/A	0.18%

Valley Metro
Regional Public Transportation Authority
 Capital Asset Statistics by Function/Program
 Revenue Vehicles for Transit Service Operations
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Local and Express Bus</u>	<u>Paratransit / Dail-a-Ride</u>	<u>Vanpool</u>
1997/98	51	52	NA
1998/99	85	73	NA
1999/00	98	86	NA
2000/01	72	63	NA
2001/02	72	63	NA
2002/03	80	67	NA
2003/04	80	62	NA
2004/05	133	61	250
2005/06	181	57	303
2006/07	172	75	308
2007/08	192	76	347

Source: National Transit Data Base

- (1) For years FY98 through FY04, the NTD reported numbers included vans that were owned by the contractor, thus those assets are not reported.
- (2) The numbers of vans for 2006/07 Vanpool have been updated.

Single Audit Section

The Single Audit Section includes the Authority's schedule of expenditures of federal awards, and the independent auditors' reports on internal controls and compliance with applicable laws and regulations.

Valley Metro
Regional Public Transportation Authority
 Supplementary Schedule of Expenditures of Federal Awards
 Fiscal Year Ended June 30, 2008

Federal Grantor Agency and Program Title	CFDA Number	Pass-Through Grantor	Pass-Through Identifying Number	Awards Expended
Department of Transportation				
Federal Transit Administration				
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X068	\$ 41,222
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X070	618,691
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X074	1,142,220
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X080	834,392
Urbanized Area Formula	20.507	City of Phoenix	AZ-90-X088	11,734,146
Urbanized Area Fixed Guideway Formula	20.507	City of Phoenix	AZ-05-0201	1,790,072
New Freedoms	20.507	City of Phoenix	AZ-57-X001	65,597
Ajo/Phoenix Regional Transit Connector Service	20.507	ADOT	JPA 06-011T	205,158
Ajo/Phoenix Regional Transit Connector Service	20.507	ADOT	JPA 06 024T	113,503
Federal Transit Technical Studies Grant	20.505	MAG	0118	224,720
Total Federal Transit Administration				<u>16,769,721</u>
Federal Highway Administration				
Congestion Mitigation and Air Quality Improvement Program Funds:				
Regional Ridesharing Program	20.205	MAG	0099	57,268
Regional Ridesharing Program	20.205	MAG	0264	525,223
Trip Reduction Program	20.205	Maricopa County	C85-07-003-1-02	107,374
Trip Reduction Program	20.205	Maricopa County	C-85-07-009-3-01	241,807
Telework	20.205	MAG	0115	75,487
Telework	20.205	MAG	270	222,577
Bike Education	20.205	MAG	0252	38,431
Bike Education	20.205	MAG	0359	18,887
State Planning and Research Funds:				
Clean Air Promotional Campaign	20.205	ADOT	JPA 04-017P	42,000
Clean Air Promotional Campaign	20.205	ADOT	JPA 07-004P	42,000
Total Federal Highway Administration				<u>1,371,054</u>
Total Expenditures of Federal Awards				<u>\$ 18,140,775</u>

See accompanying notes to the Supplementary Schedule of Expenditures of Federal Awards.

Valley Metro
Regional Public Transportation Authority
Notes to the Supplementary Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2008

1. General

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Regional Public Transportation Authority (the "Authority"). All federal awards received are passed through the City of Phoenix, Arizona Department of Transportation, Maricopa County and Maricopa Association of Governments. Federal financial award activities are reported in the special revenue and enterprise funds in the Authority's fund financial statements.

2. Basis of Accounting and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards is presented using a basis of accounting that is consistent with the basic financial statements, as is described in Note 1 of the Authority's basic financial statements.

The Authority, for purposes of the Schedule of Expenditures of Federal Awards, includes all funds of the primary government as defined by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*.

3. Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the 2008 Catalog of Federal Domestic Assistance.

4. Pass-Through Grantors Reference

The Authority receives all federal awards as pass-through from other governmental and non-profit agencies. Abbreviations are as follows:

ADOT	Arizona Department of Transportation
MAG	Maricopa Association of Governments

5. Period of Award

There is no specified time period in which the grant award must be spent.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Valley Metro Regional Public Transportation Authority

We have audited the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Valley Metro Regional Public Transportation Authority (Authority) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Valley Metro Regional Public Transportation Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Valley Metro Regional Public Transportation Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

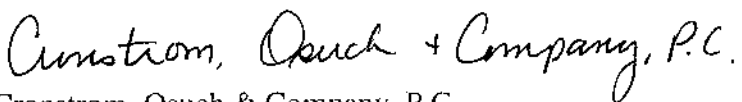
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Valley Metro Regional Public Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain matters reported to management in a separate letter dated December 11, 2008.

This report is intended solely for the information and use of the members the Board of Directors, management, federal awarding agencies, state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


Cronstrom, Osuch & Company, P.C.

December 11, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Valley Metro Regional Public Transportation Authority
Phoenix, Arizona

Compliance with Requirements Applicable to Each Major Program

We have audited the compliance of the Valley Metro Regional Public Transportation Authority (Authority) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Valley Metro Regional Public Transportation Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Valley Metro Regional Public Transportation Authority's management. Our responsibility is to express an opinion on the Valley Metro Regional Public Transportation Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Valley Metro Regional Public Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Valley Metro Regional Public Transportation Authority's compliance with those requirements.

In our opinion, the Valley Metro Regional Public Transportation Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-1.

Internal Control over Compliance in Accordance with OMB Circular A-133

The management of the Valley Metro Regional Public Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Valley Metro Regional Public Transportation Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in the Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that the noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Valley Metro Regional Public Transportation Authority as of and for the year ended June 30, 2008, and have issued our report thereon dated December 11, 2008. Our audit was performed for the purpose of forming opinions on the financial statements, which collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Authority's responses to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and accordingly we express no opinion on it.

This report is intended solely for the information and use of the members the Board of Directors, management, federal awarding agencies, state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


Cronstrom, Osuch, & Company P.C.

December 11, 2008

VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FISCAL YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*
 Internal control over financial reporting:

- Material weakness(es) identified? _____ yes no
- Reportable condition(s) identified not considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? _____ yes no
- Reportable condition(s) identified not considered to be material weaknesses? _____ yes none reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes _____ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$544,223

Auditee qualified as low-risk auditee? yes _____ no

VALLEY METRO REGIONAL PUBLIC TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2008

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**FEDERAL TRANSIT GRANT
FEDERAL TRANSIT ADMINISTRATION
PASSED THROUGH CITY OF PHOENIX AND ADOT
CFDA No. 20.507**

<i>Condition/ Context</i>	The first, second and third quarter grant status reports were not properly supported during the fiscal year.
<i>Criteria</i>	OMB Circular A-133.
<i>Effect</i>	Noncompliance with OMB Circular A-133.
<i>Cause</i>	For the first, second and third quarters, grant status reports were completed by obtaining a verbal explanation of the outstanding purchase orders and paid invoices for that quarter; therefore, documentation was not obtained or maintained to support the figures reported on the quarterly grant status report.
<i>Recommendation</i>	In order to comply with OMB Circular A-133, documentation should be maintained to support the quarterly grant status reports.
<i>Corrective Action Plan</i>	The Authority concurs with this recommendation and with its new accounting software, will have the ability to encumber open purchase orders and provide a report of encumbered amounts to support the figures reported on the quarterly grant status reports.
<i>Contact Person</i>	Michael Taylor, Acting Deputy Executive Director of Finance

SECTION IV—SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The Authority did not have any prior year findings.



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